

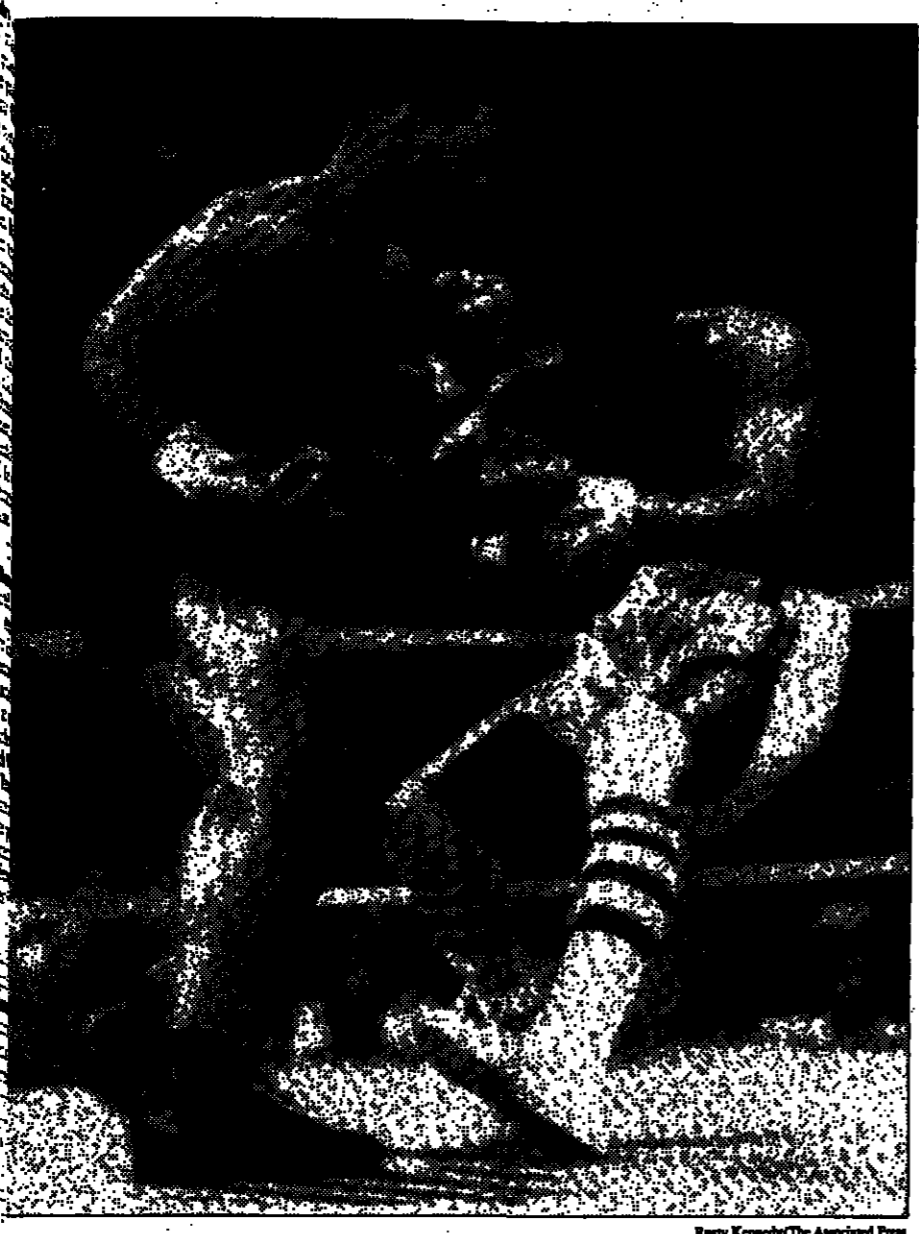
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Herald INTERNATIONAL Tribune

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Took Just 91 Seconds



Mike Tyson retained his undisputed heavyweight title by hammering Michael Spinks into submission at 1:31 of the first round of a scheduled 12-rounder in New Jersey. Page 23.

U.S. Aide Is Slain In Athens

Defense Attaché May Be Victim of Urban Terrorists

By Alan Cowell
New York Times Service

ATHENS — A car bomb apparently detonated by remote control killed the U.S. defense attaché here Tuesday as he drove away from his suburban home, police and embassy officials said.

The blast, which occurred shortly after 8 A.M., set his car afire, threw it across a street and hurled the body of navy Captain William E. Nordeman into the yard of a deserted villa nearby, witnesses said.

There was no immediate claim of responsibility for the blast. U.S. officials said there had been no special state of alert at the U.S. Embassy, which is a frequent target of terrorist threat or attack. Alerts are usually declared when U.S. officials suspect an impending attack.

The bomb had apparently been planted in the trunk of a parked Toyota sedan near Captain Nordeman's house in the suburb of Kefalari. As he drove by, it went off, sending flames 6 meters (20 feet) high and killing the U.S. official instantly, police officials said.

Like others among the many diplomatic homes in Athens's northern suburbs, Captain Nordeman's house was under Greek police guard. The official, aged 51, was survived by a wife and a 12-year-old daughter.

"We don't have anybody to point a finger at," a U.S. official said. Suspicion among police and other Western diplomats, however, fell on an extreme leftist group called November 17, the most sophisticated of several Greek urban terror groups.

It has taken responsibility for a string of attacks on U.S. personnel and officials that have killed 11 people, including two Americans, and injured more than 100 others since 1975.

The group is named for an uprising at Athens Polytechnic in 1973 that foreshadowed the overthrow of the military junta that ruled Greece from 1967 to 1974. November 17 took responsibility for the assassination of the U.S. Central Intelligence



Mikhail S. Gorbachev voting Tuesday at the party conference.

Gorbachev Asks A Shift of Power To a President And Legislature

By David Remnick
Washington Post Service

MOSCOW — Mikhail S. Gorbachev, the Soviet leader, proposed Tuesday that a "fundamentally new state" be created, urging delegates to a historic Communist Party conference to support a new presidential system of government.

Speaking in the Palace of Congresses in the Kremlin, Mr. Gorbachev said that the Communist Party should continue as the country's ideological leader, but that it should code numerous functions, including foreign and defense policy, to a powerful president and an expanded legislature.

Mr. Gorbachev did not say whether he was in favor of having the party's general secretary, his post, also serve as president. He said that was "a serious question" that should be debated at the conference.

But listing various arguments, Mr. Gorbachev noted that Lenin, the founder of the Soviet state, had headed both the party and the government as prime minister. In Mr. Gorbachev's own political language, no example could be stronger than that of Lenin.

Diplomats here said that if a presidential system was adopted, Mr. Gorbachev would have democratized the political system by shifting power from the party to locally elected soviets, or councils.

Because of the complexities of party rules, it is unclear when such a new system could be put in place.

At present, the general secretary of the party has by far the most powerful position in the country.

Within five years after the 1917 Bolshevik Revolution, the local soviets had lost nearly all their power to the party's bureaucracy. The presidency, the position now held by Andrei A. Gromyko, has been a largely ceremonial post.

In his speech, which lasted three and a half hours, Mr. Gorbachev described numerous "deformations" throughout Soviet history.

In stark language, he blamed the personality cult of Stalin and "stagnation" under Leonid I. Brezhnev for having created a political system that formulated economic, foreign, legal and cultural policy without regard for popular will.

"Today, we must have the courage to admit that if the political system remains immobile and unchanged, we will not cope with the tasks of reform," he said.

The occasionally uneasy interaction between Mr. Gorbachev and his audience of nearly 5,000 delegates was striking. More than half of the delegates are from the middle ranks of the party — a traditionally conservative bastion —

Main Points of Speech

Reuters

MOSCOW — Following are the main points from the speech by Mikhail S. Gorbachev on Tuesday at the opening of the 19th Communist Party conference:

Political Reform — The Soviet political structure should be radically reformed, including the adoption of a presidential system of government to function alongside the party. The president would handle foreign policy and defense and name the prime minister. The president should be elected by a new 2,250-member national congress chosen in multicandidate elections by secret ballot. The body would meet in full session once a year on major constitutional, political, social and economic matters.

Economy — Reform of the economy has started picking up speed but is still slowed by difficulties inherited from previous leaders. The primary problems are food supply and standards of living. Retail prices, long kept low for many basic goods and foodstuffs through government subsidies, should be reformed.

Agriculture — The main task is to overcome food supply difficulties. But everything depends on how fast workers' interest can be aroused.

Inter-ethnic Relations — Mr. Gorbachev denounced demands for border changes in the troubled Nagorno-Karabakh Autonomous

See MAIN POINTS, Page 4

all of a Wall Street Trainee

Latest Insider Case, Signs That Illegal Deals Persist

By Kurt Eichenwald
New York Times Service

NEW YORK — This was the week that Stephen Wang completed the car financial analyst's program at Morgan Stanley & Co. Inc.

It was the week he was suspended under a scandal.

And the cloud may overshadow other players in the securities industry, for the court charges filed in the Wang case by the U.S. Securities and Exchange Commission suggest that blatant insider trading on Wall Street is far from dead.

On Thursday, just two years after he left for Wall Street from the campus of the University of Illinois at Urbana-Champaign, Mr. Wang, 34, was confronted by the SEC with evidence that he had used his position in an illegal insider-trading scheme with Fred C. Lee, a 38-year-old Hong Kong businessman of Taiwanese origin.

On Monday, the SEC filed a civil complaint charging that Mr. Wang, a junior analyst at Morgan Stanley, had sold confidential information on at least 25 corporate takeovers.

According to the complaint, Mr. Lee illegally earned more than \$19 million by trading stocks and stock options based on the information.

He paid Mr. Wang at least \$200,000 for the information, the complaint said. It was filed early Monday in U.S. District Court in New York.

What the SEC called an emergency action.

It was unclear Monday how Mr. Wang and Mr. Lee were supposed to have become associated or how the purported scheme started.

But the profile of Mr. Wang that has begun to emerge is one of a quiet, intense young man who was interested in money-making ventures long before he arrived on Wall Street.

Mr. Wang demonstrated such interests as a child, according to a neighbor near the family's home in Arlington Heights, Illinois, an upper-middle-class Chicago suburb.

"He had a sense that to be successful was to make money," said Kathleen Pang, who lived next to the Wang family for about 20 years.

According to Ms. Paul, Mr. Wang would frequently come up with money-making ideas, such as organizing his friends to mow lawns.

For four years Mr. Wang attended Buffalo Grove High School.

See INSIDER, Page 20

Train Brakes Blamed in Paris Toll of 59

By Barry James International Herald Tribune

PARIS — French railroad authorities blamed a brake failure Tuesday for the disaster in which a runaway commuter train crashed into another about to leave the Gare de Lyon in Paris Monday night, killing at least 59 people.

Powerful diesel locomotives pulled the tangled wreckage apart and rescue workers cut through a compacted mass of steel to pull out more bodies Tuesday. The state prosecutor gave the figure of 59 dead, but several of the nearly 40 passengers in the hospital were in grave condition.

More than 250 firemen and rescue workers toiled through the night, using heavy lifting equipment and saws to reach the living and the dead. They had to amputate the legs of one young man before they could extricate him. Black-helmeted rescue workers carried away the bodies on stretchers or in plastic bags as a Catholic priest prayed for the dead.

An eight-car commuter train entered the station ran through a red light picked up speed down a 600-meter (about 600-yard) slope and smashed at a speed of up to 80 kph (about 50 mph) into a four-car train about to pull out of the station during the evening peak period, rail officials said.

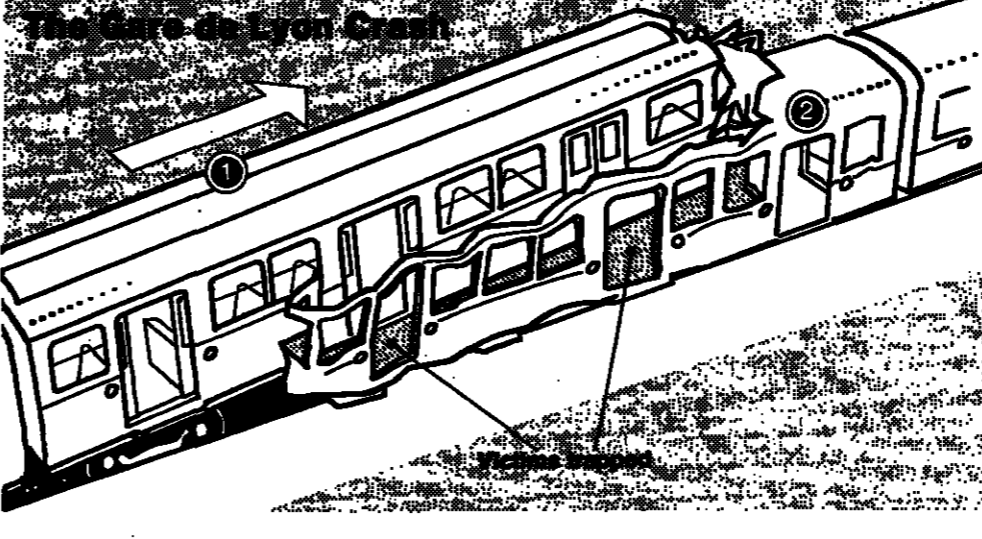
"We know the accident was caused by difficulties with the braking system, but we do not know exactly why," said Roger Gerin, deputy general manager of the state railroad company.

Mr. Gerin said at a news conference that the train should have stopped automatically as soon as the compressed air in the braking system had fallen below a certain pressure.

On its inward journey from the southeastern suburb of Melun, the train made an unscheduled stop after someone pulled the emergency handle, Mr. Gerin said, and the engineer had to re-arm the braking system. But this had never caused problems in the past, he added, and the train also made 15 regular stops without any sign of a problem.

The emergency stop resulted in disruption up and down the line, and also delayed the departure of

See TOLL, Page 4



A runaway commuter train smashed into another waiting for departure at an underground track in the Gare de Lyon in Paris Monday night, killing at least 59 people. Source: Paris Fire Brigade.

Kiosk

Boesky Moved

WASHINGTON (Reuters) — Ivan F. Boesky, convicted of his role in Wall Street's insider trading scandal, has moved from a California prison to a prison in Manhattan.

Dollar Is Steady

The dollar extended its gains against the yen while central banks intervened to raise its rise. (Page 15.)

An 'Uncertain Electorate' Leans Toward the Democrats, a Poll Shows

By David S. Broder Washington Post Service

WASHINGTON — An "uncertain electorate" with mixed feelings about President Ronald Reagan's record and concern that tomorrow's problems may overwhelm today's prosperity, is tilting to the Democrats in the November election, according to a public opinion poll.

A Gallup Poll shows that Governor Michael S. Dukakis of Massachusetts, the likely Democratic nominee, is having more success in reassembling the Democratic coalition than his probable rival, Vice President George Bush, is having in keeping the Reagan coalition intact.

In terms of its impact on the presidential choice, the poll found that the Democrats' single most significant advantage was their 16-point lead as the party that can best bring about needed change. That edge has grown in the last year.

The poll, made public Monday, was undertaken for Times Mirror Co., the owner of the Los Angeles Times and other newspapers.

Andrew Kohut, the poll director, and Norman Ornstein, a survey analyst, reported that voters currently are responding to Mr. Dukakis and Mr. Bush more as symbols of the opposition party and the incumbent administration than as individuals.

This means that the race could shift significantly as the rivals, especially the little-known Mr. Dukakis, come into sharper focus for voters, they said.

They said that at this point the election is less about individuals than a measure of the country's underlying "tension between a desire for change and a desire for continuity."

The tension arises from an unusual split in public thinking.

While voters are more optimistic now than a year ago about short-term economic prospects, they also are more disturbed about the country's long-term course. Causes of concern range from fear of foreign economic competition to the after-effects of the Iran-contra disbursement with President Ronald Reagan's leadership.

Drug abuse is an almost universal worry, the survey found. But at least three of four voters also express concern about declining education standards, mounting budget deficits and such perceived long-term economic trends as loss of jobs to foreign competition, decline in the quality of American products, growth of foreign investment in the United States and loss of U.S. leadership in science and technology.

Concerns for the future and the desire for a change of direction are particularly striking among one group of voters in the Reagan coalition, a group that the pollsters call the "disaffected."

Those alienated, mainly middle-aged, middle-income males from the Midwest are anti-business and anti-government. They tend to like "outsider" candidates such as George C. Wallace and Jimmy Carter and are not very enthusiastic about Mr. Dukakis.

But while Mr. Reagan won four of five of them with his anti-Washington, anti-elite theme, Mr. Bush is barely beating Mr. Dukakis.

Mr. Bush is particularly disliked by the "disaffected," who describe him as weak and unsympathetic to their interests.

The Times Mirror survey, begun last year, uses unusually long, in-person interviews with a large sample of people —

See TILT, Page 4

The Uprising: A Vow to Fight On and a Peace Feeler From the PLO

No Turning Back, a Rebel Leader Says U.S. Assesses Overture by Arafat Aide

By Loren Jenkins Washington Post Service

RAMALLAH, Occupied West Bank — Amid the chaos of confrontation between Israeli troops and Palestinian youths that has come to be the daily norm here, a Palestinian merchant sat inside his downtown Ramallah shop and watched the scenes outside with seemingly cool nonchalance.

Though he had every reason to worry about the patrols of Israeli paratroopers passing in front of his shop, the merchant seemed unfazed. He is a man whom the Israelis would love to get their hands on.

The merchant is a member of the shadowy National Unified Command of the Uprising, which directs the anti-Israeli insurrection, or intifadah, that began in the West Bank and Gaza Strip last Dec. 9.

The wary West Bank leader smiled in the knowledge that the soldiers outside his window did not have a clue about his real identity.

"After seven months, they have still not been able to identify a single member of our Unified Command," the Palestinian said.

His anonymity, and that of the four other Palestinians who make up the Unified Command, is one reason why Israel has failed to suppress the uprising.

Though Israeli officials, including Prime Minister Yitzhak Shamir, have said the intifadah was losing steam, that notion is considered nothing more than wishful thinking by the uprising's leaders.

Palestinians in the West Bank and Gaza say that the struggle is alive and well and continuing. The methods used, they say, have changed as part of a strategy to confound Israeli efforts to break it and to provide new, untold avenues of thwarting Israel's 21-year-old occupation.

"Yes, many tactics have changed since we began, and many others will change in the future," said the Ramallah leader. "But we have the will and the funds and the determination to go on."

The uprising, as reflected in the 20 Unified Command instruction leaflets that have guided the its course, has moved from the massive demonstrations and rock-throwing protests of the early days to boycotts, strikes, refusal to cooperate with Israeli occupation authorities and, most recently, to arson. Leaders said they hoped to enter a new phase

The aide, Bassam Abu Sharif, the press spokesman for Mr. Arafat, offered the proposals in a statement that was distributed at the Arab summit meeting in Algiers this month.

The key to a settlement lies in talks between the Palestinians and the Israelis. The Palestinians would be deluding themselves if they thought their problems with the Israelis could be solved in negotiations with non-Israelis, including the United States.

He added that the PLO should be prepared to talk with the Israeli government in the framework of an international peace conference.

Mr. Abu Sharif, who has been Mr. Arafat's spokesman for nearly 16 months, has indicated in statements in the Arabic-language press that his document was written with the PLO chief's approval.

Last week, five hard-line Palestinian guerrilla organizations issued statements condemning Mr. Abu Sharif and the proposals.

Some American officials describe the proposals as an effort intended to test public opinion in the United States and Israel before the November elections as well as to elicit reaction from leaders in the PLO and from other Palestinian groups.

Smart PLO propaganda, with the moderates sounding good, "an administration official said. "If this were policy, it would be a significant change."

Last week, a State Department spokesman, Phyllis E. Oakley, praised the statement for its "constructive tone" and "positive points."

But Mrs. Oakley added, "If the PLO is serious about moderating its positions so as to make a practical solution to the peace process, it can do so in an authoritative way. We have yet to see an authoritative statement."

Though Prime Minister Yitzhak Shamir of Israel dismissed the document as containing "nothing new," Reagan ad-

See PLO, Page 4

Business/Finance

Members of the 12 EC nations set their summit meeting next endorsing a European central bank. Page 15.

U.S. banks raised their key rate a half point, to 9.5 percent. Page 15.

Social Report

California is grappling with a complex array of new pressures arising from Islamic extremism to drought. Pages 9-14.

Close	The Dollar in New York
DM	1.822
DM	1.708
Yen	132.85
FF	6.138

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IMBLEDON CONNORS OUT See Sports, Page 23

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See INSIDER, Page 20

Kiosk

Boesky Moved

WASHINGTON (Reuters) — Ivan F. Boesky, convicted of his role in Wall Street's insider trading scandal, has moved from a California prison to a prison in Manhattan.

A Justice Department official said Mr. Boesky was awaiting to testify in a trial to go before a grand jury.

Dollar Is Steady

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Secretarial Post

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ernor John Ashcroft of Missouri examining earth ched by drought on a n in his state. Page 3.

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Rocard Reappoints Key Cabinet Aides

By Joseph Fitchett
International Herald Tribune

PARIS — Prime Minister Michel Rocard formed a new cabinet Tuesday, retaining key ministers from the government he formed last month after the re-election of President François Mitterrand.

Although the Socialists are 13 seats short of a majority in the 577-member National Assembly, most leaders of the conservative opposition have said that they would not automatically attempt to overturn the government as long as Mr. Rocard and Mr. Mitterrand kept their pledge of moderate policies.

Parliamentary elections following Mr. Mitterrand's victory failed to give the Socialists an absolute

majority in the National Assembly, and Mr. Rocard resigned.

After his reappointment by Mr. Mitterrand, the prime minister was expected to seek broader appeal by adding prominent people from business and academia, but no important portfolios were given to newcomers in the government announced Tuesday.

The leading Socialists carried over in Mr. Rocard's new government were viewed as being in the national mainstream, including Pierre Bérégovoy as minister of economics, Roland Dumas as minister of foreign affairs, Pierre Chevènement as minister of defense and Jack Lang as minister of culture.

The theme of anchoring French politics in the center and transcending a pattern of policy reversals as leftist and rightist factions alternated in power helped Mr. Mitterrand comfortably win reelection in May.

In maintaining most of the government, despite its poor electoral showing, Mr. Rocard apparently has decided that political allies will be attracted if he establishes a credible record over a period of months.

Mr. Rocard is not required to submit his new government to a vote of confidence in the National Assembly, which is not expected to consider any major legislation until after the summer recess.

Socialists Gain In an Italian Vote

ROME — Italy's Socialist Party replaced the Communists as the second largest party in regional elections in a northern border province, final results showed Tuesday.

The Socialists led by former Prime Minister Bettino Craxi increased their vote by 6.4 percentage points in the Friuli Venezia-Giulia Province, taking their share to 17.7 percent compared to the Communists' 17.5 percent.

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The distraught relative of a food poisoning victim being comforted outside a Madrid courthouse.

Trial Ends Amid Doubt In Spanish Poisonings

MADRID — A 15-month-long trial involving massive food poisoning ended here Tuesday amid lingering doubts about exactly what killed some 650 people and maimed 25,000 others.

Some of the 200 experts who testified disputed the state prosecutor's charges that industrial oil sold as cooking oil caused a disease known as "toxic oil syndrome."

Some defense witnesses blamed pesticides spread on tomatoes, and one defense lawyer linked the deaths and injuries to chemical weapon tests at a U.S. base.

The disease, which broke out in 1981, caused severe pain, lung failure and premature aging on its victims, most of them from poor suburbs.

The cause of the disease is crucial for the eight principal defendants, all oil dealers, who face long jail sentences on charges of manslaughter and maiming. The court will also decide from whom the victims can claim compensation.

The court heard statements from victims who countered the pesticide theory by saying they ate no tomatoes, and from defendants who offered to consume some of the suspect oil to prove it was harmless.

Lawyers said the court would need months to review the 250,000 pages of evidence and reach a verdict.

The trial was marked by angry outbursts from relatives of victims and survivors.

The World Health Organization and Sir Richard Doll of Britain, one of the world's leading experts on epidemics, supported charges that the disease was caused by imported rapeseed oil that had been tainted and was intended only for industrial use but which was sold for human consumption at a large profit.

Eduardo Fungari, the state prosecutor, told the court: "Limitless greed at the expense of human health caused the poisoning."

He sought prison terms of 15 years for each death and seven years for each maiming. Another 19 defendants also face long jail sentences on manslaughter and other charges.

WORLD BRIEFS

11 South African Soldiers Are Killed In Battles With Cubans Near Namibia

JOHANNESBURG (Reuters) — Eleven South African soldiers were killed in the first major clashes with Cuban forces close to the border with South-West Africa, military officials said Tuesday.

The South African Army statement said about 200 Cuban and Angolan soldiers died in the clashes near Calueque, a few kilometers inside Angola. The battles coincided with four-nation talks on ending Angola's 13-year-long civil war and achieving independence for South-West Africa, or Namibia, after 70 years of South African rule.

The army statement said an officer died in a clash with Angolan and Cuban forces early on Monday. A few hours later, it said, 10 South African soldiers were killed in an aerial bombardment of a dam at Calueque.

The military statement said Angola, at talks in Brazzaville, Congo, last month, said it would not attack the Calueque water project because it was vital to the survival of South-West Africans in the drought-stricken Owamboland region close to the border.

U.S. Ambassador to Mexico Recalled

WASHINGTON (AP) — The Reagan administration announced Tuesday that the U.S. ambassador to Mexico was being recalled for consultations after a decision by the Mexican government to release a Puerto Rican nationalist wanted by the United States for terrorist activities.

The recall of the ambassador, Charles J. Filiberto, was announced by the White House spokesman, Martin Fitzwater. The State Department expressed outrage Monday at news that the Puerto Rican, William Morales, 37, was freed from prison on Friday and allowed to travel to Cuba.

"The release and deportation to Cuba of Morales even before completing his sentence for murdering a Mexican police officer is outrageous," Mr. Fitzwater said.

U.S. Delays Shuttle Launch to Sept. 4

CAPE CANAVERAL, Florida (AP) — The National Aeronautics and Space Administration said Tuesday that it was delaying the launch of the first space shuttle flight since the Challenger disaster in January 1986 from Aug. 22 until Sept. 4 because preparation of the shuttle Discovery was taking longer than expected.

Rear Admiral Richard H. Truly, NASA's associate administrator for space flight, said that he was pleased, however, with the progress of preparations for the flight. "Hard work by a lot of people is paying off," Admiral Truly said, "and the shuttle program is coming along nicely."

It was the third time this year that NASA has been forced to announce a delay. The launches have been postponed for technical problems.

Savimbi Asks Congress for More Aid

WASHINGTON (NYT) — Jonas Savimbi, the Angolan guerrilla leader, asked Congress on Monday to provide more aid to his organization to support its war against the Luanda government.

Mr. Savimbi asked members of Congress to renew such aid without waiting for the outcome of peace talks conducted by representatives from South Africa, Cuba, Angola, and the United States. After making progress last weekend in Cairo, diplomats from the four countries agreed to continue talks in the United States next month.

Mr. Savimbi, who heads the National Union for the Total Independence of Angola, is in Washington as Congress is debating the amount of aid to give his guerrilla force.

Monet Work Sells for \$24.5 Million

LONDON (AP) — An 1876 painting by Claude Monet of his wife lying in a meadow was sold Tuesday night for £14.3 million (\$24.5 million), a record for any work by the artist and the third highest art auction price in history, Sotheby's said.

The picture, titled "Dans la prairie" ("In the Meadow"), was bought by a telephone bidder whose identity was not disclosed. The summary picture, done at Argenteuil near Paris, depicts his wife in a white dress and hat, with a parrot behind her, reading a book as she lies among tall grass and wild flowers.

The previous record for a Monet work was set 24 hours earlier, when Christie's sold his 1871 painting of a blue house for £3.85 million to an anonymous telephone bidder.

Contras Pledge Cease-Fire Extension

WASHINGTON (Reuters) — The U.S.-backed contra rebels on Tuesday told President Daniel Ortega Saavedra of Nicaragua that they would extend a cease-fire indefinitely but saw no reason for a meeting on the subject, a rebel leader said.

The leader, Adolfo Calero, also said in a telephone interview from Miami that the movement of contra troops within Nicaragua in recent days did not mean hostilities had resumed. "We are reiterating our will to keep the cease-fire going indefinitely," Mr. Calero said of a letter sent to Mr. Ortega earlier in the day.

Mr. Ortega's government had proposed a meeting in Miami of contra and Sandinista representatives to discuss the continuation of the cease-fire, which formally had been pledged up to June 30. It went into force April 1.

Pope Creates 24 Cardinals at Vatican

VATICAN CITY (Reuters) — Pope John Paul II created 24 cardinals Tuesday and made a last-minute appeal to Marcel Lefebvre, the rebel French archbishop, to avert a schism in the church this week.

In a solemn consistory attended by about 10,000 faithful and diplomats in the Vatican's Paul VI hall, the pope gave each of the new cardinals a four-cornered red biretta, or hat, as they swore loyalty to him. Earlier, in a "secret consistory," the pope read a Latin address in which he urged Archbishop Lefebvre not to carry out his threat to create new bishops Thursday.

Technician Gets AIDS Infection

WASHINGTON (UPI) — A laboratory technician at the National Institutes of Health was infected with the AIDS virus by a viral of blood that splattered and sliced into the worker's hand, an official said Tuesday.

Dr. Robert McKimsey, the chief of occupational health and safety at the Bethesda, Maryland, government facility, classified the case as an "accident" and said the technician was following established guidelines in handling a specimen from a patient.

Dr. McKimsey said the incident was the first time that an employee of the institutes, which conduct a great bulk of the nation's AIDS research, had been infected by the acquired immune deficiency syndrome virus.

TRAVEL UPDATE

Strikes to Disrupt Air Traffic in Paris

PARIS (APF) — Air traffic from Paris airports was expected to be seriously disrupted by strikes Wednesday and Thursday, two of the busiest days of the year with the start of the summer vacation season.

The French domestic airline Air Inter has canceled seven morning flights on Wednesday and 10 on Thursday because of a strike by pilots and flight engineers over manning levels on the Airbus A-320. Ground employees at Orly, Charles de Gaulle and Le Bourget airports near Paris have called a strike over pay for Thursday. About 1.5 million vacationers are expected at Paris airports between now and July 6.

A strike by Spanish customs inspectors delayed travelers and cut the flow of imports and exports by up to half at the busiest border posts on Tuesday, officials said.

Yugoslavia, citing economic reasons, will close the only rail link from Albania to the outside world, Tarnajoz, Tuesday. The line between Titograd, Yugoslavia, and Shkoder, Albania, was opened in 1986. (AP)

Ozal Attack Revives Fears of Instability

By Jonathan C. Randal
Washington Post Service

ANKARA — The attempt on Prime Minister Turgut Ozal's life a week ago has undermined the fragility of Turkey's democratic institutions and recalled the terrorism that almost destroyed them in the 1970s.

Live on television, a gunman, who had breached through security checks at a local sports arena, fired two revolver shots at Mr. Ozal as he addressed a convention of his ruling Motherland Party.

One bullet hit a microphone di-

rectly in front of Mr. Ozal. Another hit his thumb, then the assailant's weapon jammed. The gunman was among more than 20 people wounded in the subsequent melee as the prime minister's bodyguards opened fire.

The impression of a return to the past was reinforced when it came to light that the would-be assassin, Kartal Deming, was known as an admirer of Mehmet Ali Agca, the Turk who shot and wounded Pope John Paul II in St. Peter's Square in May 1981.

Both gunmen, born in 1956, belonged to the extreme rightist Gray Wolves, which in the late 1970s had fought Turkish leftists in battles that left a daily average of 20 corpses on the streets. The army seized power in September 1980 and eventually restored order.

Both Mr. Agca and Mr. Deming were jailed in Turkey for murder or attempted murder. Both escaped from prison with an ease that, in Mr. Agca's case, was due to a well-executed plan concocted by the Gray Wolves.

Both men copied verses from the Koran before perpetrating their acts of violence. Like Mr. Agca, Mr. Deming was reported by his interrogators to have been coldly unrepentant.

And both delighted in contradicting themselves and purporting to be mentally ill.

But for whom, Turks ask, was the "toxic Agca," as the Turkish press dubbed Mr. Deming, really motivated? Such is the legacy of a conspiracy in Turkey that little credence was given to Mr. Deming's statement that he acted on his own.

Ugur Mumcu, a respected investigative reporter specializing in terrorism, wrote in the newspaper Cumhuriyet that Mr. Deming was "obviously working for an organization" because his act perfectly fit the pattern of similar attacks over three decades.

Supporting such theories was Mr. Deming's refusal to explain his finances since escaping from jail in January or to say how he obtained the identity papers need-

ed to move freely without arousing suspicion.

Equally puzzling was the question of possible involvement by the Gray Wolves. Mr. Ozal's party has moved to the right, although still far from the brand of fascism that the Gray Wolves' leader, Alparslan Turkes, espoused in the 1970s.

The 1980 army takeover had driven the Gray Wolves underground. But despite a split, they remained well organized and committed to prosper in Europe, especially among the half million Turks resident in West Germany.

Whatever and whoever may have motivated Mr. Deming, his act has caused Turks to think about a future after Mr. Ozal, who at age 60 has been the leading civilian political force since 1980.

"He's the glue holding democracy together," a Western diplomat said, "the only politician with a clear idea of where he is going and the liberal face of a country determined to join the European Community."

Plot Against Pope Is Called a Hoax By Vienna Police

VIENNA — Austrian police uncovered a suspected assassination plot against Pope John Paul II that turned out to be a hoax, Interior Minister Karl Blecha said on Tuesday.

Two Turks were arrested in connection with the plot but later released. The visit ended without incident.

The U.S. television network ABC said the alleged plot called for snipers to shoot at the pope as he visited St. Stephen's Cathedral on Thursday.

The arrested Turks were in possession of blank cartridge pistols and photographs of the square in front of St. Stephen's.

But Mr. Blecha said the two never posed any danger to the Pope.

"One wanted to make himself indispensable to the police as an informant. The other had a particular interest to be in the world press," Mr. Blecha said.

"The motive was to receive attention."

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INTERNATIONAL APPEAL IN DEFENSE OF KURDISH CULTURE IN TURKEY

Like every human community, the Kurdish people have the right to preserve their cultural heritage and to freely express their identity. The Kurds' ancient culture is part of the world's cultural patrimony. The product of centuries of history, the work of generations, it deserves, like all other cultures, respect and protection. That is why the undersigned, guided by the principles proclaimed in the United Nations' Charter, the Universal Declaration of Human Rights and the international covenants on human rights, opposed to all forms of intolerance and discrimination, concerned with justice and democracy, urge the Turkish authorities to abolish all constitutional and legal bans on the use of the Kurdish language and, more generally, on all cultural expressions of the millions of Kurdish citizens of Turkey.

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* US Senators also urge the governmental authorities in Iran, Iraq and Syria to abolish all the restrictions on the use of the Kurdish language and, more generally, to lift all prohibitions on cultural expression of their Kurdish citizens.

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U.S. Rivers Falling as Drought Worsens

Fishes, Farms, Shipping and Wildlife Harmed by Drop

Washington Post Service
WASHINGTON — U.S. rivers tipped to their lowest levels in 25 years, threatening sources of drinking water, limiting hydroelectric power, forcing conservation measures in industry and farming, and endangering wildlife.

The Mississippi, which supplies drinking water for cities from New Orleans, at the mouth, up to Minneapolis-St. Paul, near the source, is 15 percent of normal in the Twin Cities. If past droughts are any guide, said Jerry Winslow, senior engineer at the Minnesota Pollution Control Agency, it may fall to 10 percent in July that "we could be out of water."

The state has contingency plans,

California, 40 percent in the Great Basin area of Nevada and Utah and 18 percent in the Southeast.

Geological Survey officials said that the April flow was well below normal in one-third of the country. In May, the below-normal flow had spread to half the country. June has been drier still.

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The state has contingency plans,

he said, to open dams in the north and let lake waters flow into the Mississippi. But that would hurt the important tourist fishing and resort industry and divert water from irrigated agriculture.

Dredging has kept barge traffic moving intermittently on the Mississippi, which was closed for three days last week at Memphis and over the weekend at St. Louis.

When a narrow channel was opened Monday at St. Louis, officials alternated downriver and upriver traffic until a 35-ton backlog was cleared. But two towboats ran aground near Memphis.

At New Orleans, the river has fallen to its lowest point in 120 years, and is moving so slowly that salt water from the Gulf of Mexico

is moving upstream, said Dale Givens, administrator of the Louisiana Water Pollution Control Division.

The U.S. Army Corps of Engineers plans to erect a barrier against the salt water to protect drinking water.

In North Dakota, the drought has drawn the Red River down to 30 percent of its normal level. But most drinking water in the state is drawn from aquifers, in which levels are falling but are still adequate.

The aquifer water level "has been dropping maybe 10 percent every month or six weeks," said Ron Affeldt, director of North Dakota's Emergency Management Office. Since 1961, the year of the last major drought, he said, homeowners have dug deeper wells.

Elsewhere, municipalities in the West and Southeast have restricted watering of lawns and washing of cars to conserve drinking water. In Atlanta, water department employees patrol the streets to watch for violators of a nine-hour a day watering ban.

As the volume of lakes and rivers drops, so does their ability to dilute industrial and municipal wastes. Federal law requires local officials to limit factory and sewage-treatment plant discharges so that they will not pollute bodies of water, even at their historic lows.

The Mississippi has dropped below its historic low in Louisiana for the first time in eight years, prompting the state to begin monitoring concentrations of pollutants.

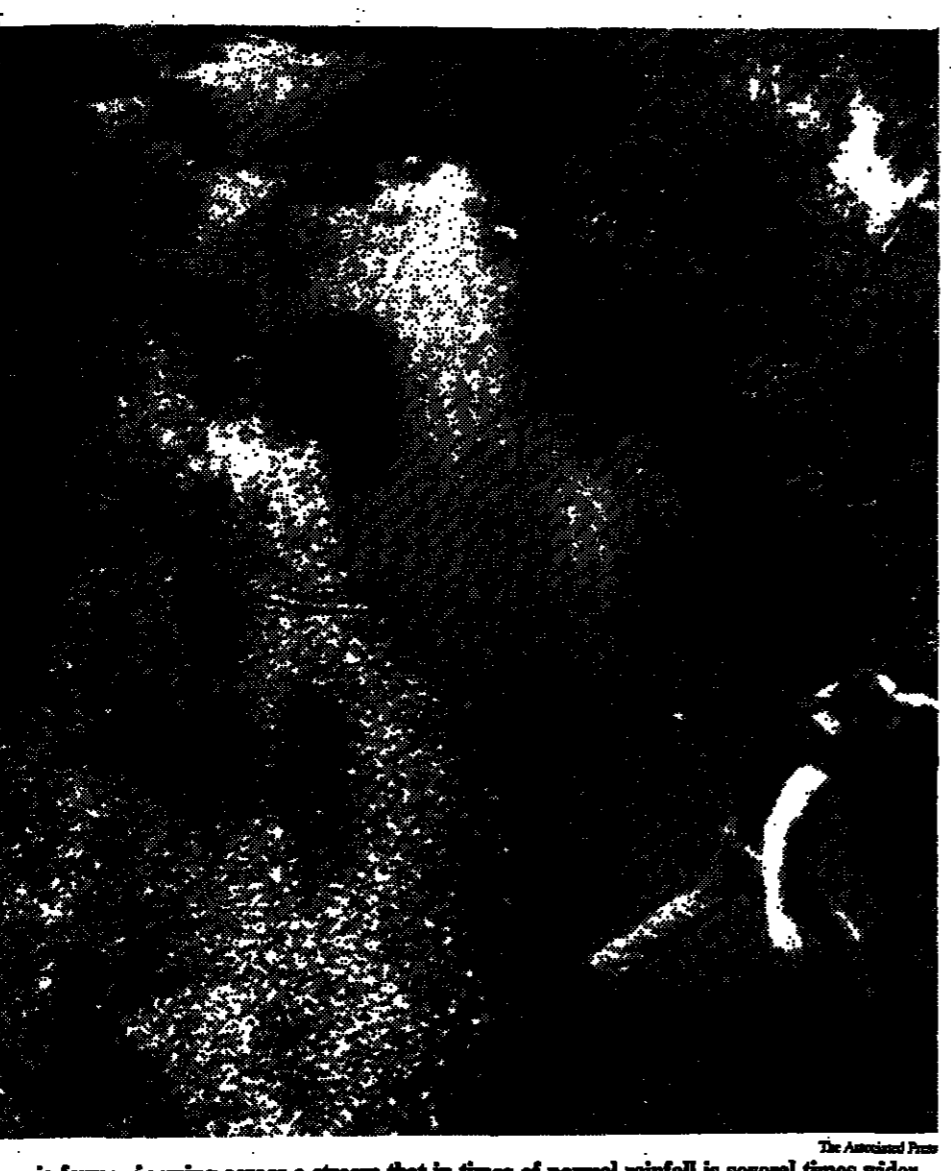
The flow of the upper Mississippi is so low that a fifth of the water downstream of a "Twins Cities" treatment plant is treated sewage, said Mr. Winslow, the Minnesota engineer. The drinking water intake is upstream of the plant, he said, so public health is not endangered.

But such organic wastes raise the water temperature and deplete oxygen needed by fish. Wildlife experts have predicted substantial fish kills.

Nine rivers in Iowa have dropped to what the state calls the level of "protective flow," forcing farmers and factories to reduce their daily intake, said Allan Stokes of the Department of Natural Resources.

The Tennessee Valley Authority's 29 hydropower plants, which normally supply 10 percent of the electricity for eight million Southern customers, are operating at 55 percent of capacity.

Reservoirs filled by the Tennessee River and used by the plants are 40 feet below normal levels — as low as normally in November.



Georgia farmer jumping across a stream that in times of normal rainfall is several times wider.

AMERICAN TOPICS

Those Finding a Star Can Fill in the Blanks

From a letter to The Washington Post by a reader, Michael A. Vance:

I am amazed by the frequency of complaints by irate readers who have discovered the inadvertent use of a word or phrase that could be construed as a slur against this or that minority group, such as the complaint about the use of the word "crackers." I suggest that The Post perform a public service by printing the following form letter, which would make it easier for its readers to proclaim their righteous indignation:

I am shocked that a recent issue of The Washington Post contained a _____ (fill in with cartoon, article or editorial) using the derogatory term _____. This is an insult to all the fine, upstanding _____, who constitute a group of

Short Takes

A study of children from low-income families showed that those benefiting from the Federal School Breakfast Program did better in their studies than those who did not. Boston City Hospital and allied groups said pupils getting school breakfasts attained an average standardized test score increase of 48.4 points over the previous year; those not getting them improved 40.9 points on a 600-point scale. Advocates of tax-supported child nutrition programs say that as the number of single-parent families headed by working mothers increases, more children are going without a nourishing breakfast.

Prospects for survival of the whooping crane, America's largest aquatic bird, have improved with a Senate appropriations subcommittee's approval of legislation to buy the last bit of privately owned land on Matagorda Island off the Texas coast. Matagorda is a barrier island shielding the Aransas Pass National Wildlife Refuge on the mainland. The largest group of whooping cranes in North America, now numbering 152, winter at the refuge or on the island and summer in the Canadian wilderness. The whoopers, with a 7½-foot (2.3-meter) wingspread, have made a comeback from near-extinction 50 years ago, when they numbered only 18. The U.S. Air Force stopped using Matagorda as a bombing range in 1974.

Descendants of the 17 million immigrants who arrived in the United States at Ellis Island in New York harbor will be able to trace their history instantly at a computerized genealogical center planned for the island, which is being restored as a museum. Ellis Island was the major U.S. immigration station from 1892 to 1954. Material to be stored in the computer already has been collected from government and uni-

Michigan Is First State to Prohibit Surrogate Parenting

Los Angeles Times Service
DETROIT — Michigan has become the first state in the nation to make surrogate parenting a felony. Governor James J. Blanchard signed a bill Monday that imposes fines and jail terms for anyone who enters into or assists in developing a contract for a child between a surrogate mother and an infertile couple.

Several other states are considering similar legislation. The bill's sponsor in the Michigan State Sen-

U.S. Bishops Will Alter Disputed AIDS Booklet

By Peter Steinfeld
 New York Times Service
COLLEGEVILLE, Minnesota — The Roman Catholic bishops of the United States have voted to leave in place a controversial document about AIDS but they acknowledged that it had shortcomings and agreed to work on a further statement of policy.

The action Monday was an adroit compromise aimed at curbing an unusual public dispute among brief passages in the document suggested that information about condoms might legitimately be included in education aimed at preventing acquired immune deficiency syndrome.

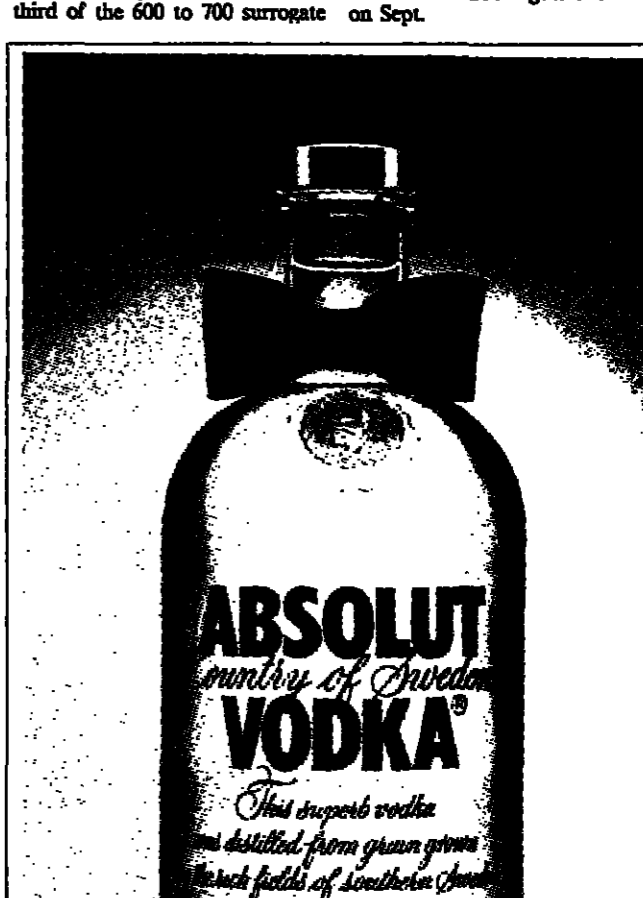
Cardinal John O'Connor of New York and other Catholic leaders objected that the document, "The Many Faces of AIDS: A Gospel Response" — issued with the unanimous approval of the bishops' 30-member administrative board in December — left the impression that the church had changed its

official rejection of artificial birth control.

Other bishops have argued that the statement clearly stresses the church's opposition to contraception and criticizes a resort to condoms, but that it recognizes their value in preventing AIDS among people who do not follow the church's teaching on sexual morality.

The argument was also joined to a degree by the Vatican, which urged the American bishops to avoid actions that could "even give the impression" of condoning practices the church considers immoral.

The compromise was reached in a private meeting of the bishops, who are here for their annual summer conference. Its architect was Cardinal Joseph Bernardin of Chicago, who said the original document was meant only to provide the bishops with a common approach to practical problems rather than serve as a comprehensive statement on sexual morality.



Mexican Opposition Fears Voting Fraud

By Larry Rohter
New York Times Service

MEXICO CITY — With presidential and congressional elections a week away, opposition party civic groups say there are signs that the governing Institutional Revolutionary Party is trying to rig the vote.

The group in power is taking its actions and getting ready to unfurl favorable election results through fraud, the Democratic Assembly for Effective Suffrage, an organization with ties to the opposition, said last week.

The latest dispute was prompted

by the discovery this month in a Mexico City print shop of thousands of ballots that were to have been used in the northwestern state of Sonora. Opposition parties have formally protested the incident to the Federal Electoral Commission, calling it part of a much broader fraud effort being mounted by the governing party.

But government officials said the printing of ballots by the privately owned print shop, which has also printed campaign leaflets and fliers for the ruling party, did not violate the electoral code. They have also reiterated pledges made by Carlos Salinas de Gortari, the ruling par-

ty's candidate for president, that the July 6 elections will be credible.

In the past, however, electoral fraud has been so common a part of Mexican political life that a whole lexicon has developed around the practice. In this world of vote manipulation, "alchemists" call on their "floating armies" to board "carronsels" or make voting booths "pregnant" with "tacos," and send unwanted opposition votes off to the "crematorium."

Many of these and other practices are detailed in a "Manual of Vigilance and Defense of the Vote," which the Democratic Assembly published last week. The document is notable because it was prepared with the assistance of Pacifico Munoz Ledo, a former president of the Institutional Revolutionary Party who has broken with the party and is now chief political strategist for Cuauhtemoc Cardenas, presidential candidate of the left-leaning National Democratic Front.

The ruling party has won every presidential, senatorial and gubernatorial election since coming to power in 1929, although it has faced increasing opposition in recent years. It has a simple majority on the Federal Electoral Commission, which supervises national elections, and it also controls the commissions that run state and local elections.

"The voting booths themselves are manned by people who are designated by the official party, who in many cases are functionaries of a government that is synonymous with that party," Fernando Canales Clariond, a leader of the right-of-center National Action Party, complained in a recent interview.

"The engineering of electoral fraud is therefore very easy to achieve."

According to the manual, ruling party workers under the command of an "alchemist," or vote manipulator, are preparing to stuff ballot boxes with votes just before the polls open to make them "pregnant."

In other instances, it says, "floating armies" are being recruited across Mexico to go from one polling place to another in groups of 100 or more on election day, casting ballots at each stop on their "carronsel."

An alternative practice that will produce the same result is for a single voter, known to be a loyal supporter of the Institutional Revolutionary Party, to stuff as many as 20 ballots, or "tacos," at a time into ballot boxes.

In voting precincts that have a history of supporting the opposition, the document said, artificial delays are being planned in hopes that voters will grow impatient and leave, or governing party muscle-men are called in to threaten voters and election judges affiliated with opposition parties.

That failing, the manual charges, the Institutional Revolutionary Party is likely to alter or forge the tallies from proletric precincts and submit them as genuine to the electoral commissions it controls.

Opposition leaders also say the list of 38 million voters for the upcoming elections includes non-existent persons and addresses and deliberate typographical errors that list thousands of ruling party supporters more than once, and omits many known supporters of opposition parties.

U.S. Sues the Teamsters to Force Free Elections

By Our Staff From Dispatches

NEW YORK — The U.S. government filed suit Tuesday to force free elections and other reforms in the International Brotherhood of Teamsters, charging that the large U.S. union was dominated by organized crime.

The suit charges that the union's "control is so pervasive that for decades the leadership has permitted La Nostra figures to dominate corrupt important Teamsters' joint councils and benefit funds, joint papers filed with the

Anticipation of the suit prompted the 1.5-million-member union to seek refuge with the AFL-CIO last October, rejoining the labor federation after a 30-year absence.

In January 1982, the President's Commission on Organized Crime criticized the White House for maintaining close ties to the union despite its alleged longstanding links to organized crime figures.

The union was one of the few major labor unions to endorse Ronald Reagan in 1980 and 1984.

Three of four Teamsters presidents have been convicted of crimes. One, Jimmy Hoffa, disappeared in 1975 in what authorities believe was a murder ordered by the Mafia. (AP, Reuters)

Teamsters Union president, Elmer Farmer, already under indictment in Cleveland, and 17 others named as defendants, as 26 alleged Mafia members or associates, including the heads of job families.

The government wants a federal judge to remove from office any Teamsters officers found to have violated federal racketeering laws, is seeking appointment of a trustee to insure free and fair elections.

The suit alleges that the union had deprived members of rights through racketeering, filing 20 murders, shootings, stings, beatings, bribes, extortions and misuse of funds.

The first time the federal government has taken action against a major national union on charges that it was influenced by organized crime.

Technician Gets AIDS

By Our Staff From Dispatches

NEW YORK — A technician who worked on a computer system for the U.S. government was diagnosed with AIDS.

The technician, who is recovering from the disease, was one of the first to be diagnosed with AIDS in the United States.

Strikes to Disrupt Air Traffic

By Our Staff From Dispatches

NEW YORK — A series of strikes by air traffic controllers and pilots is expected to disrupt air traffic in the United States.

The strikes are being organized by the Air Traffic Controllers International and the Association of Professional Flight Attendants.

Travel Up

By Our Staff From Dispatches

NEW YORK — Travel is expected to increase significantly in the coming months.

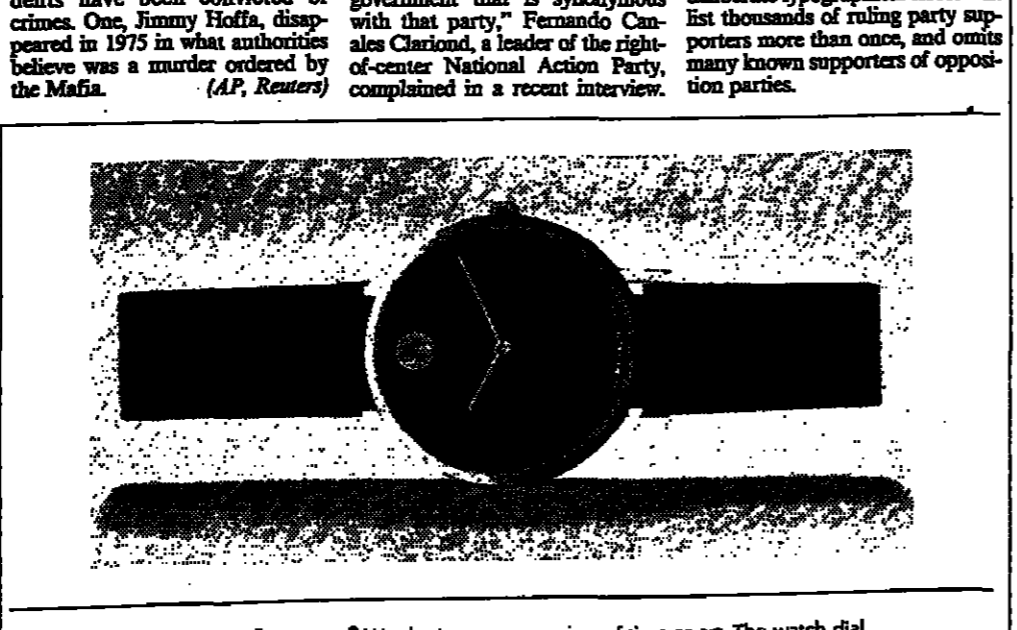
The increase is due to a combination of factors, including the end of the summer vacation season and the start of the school year.

Herbert Hoover

By Our Staff From Dispatches

NEW YORK — A book about the life of J. Edgar Hoover is expected to be published soon.

The book, titled "J. Edgar Hoover: The Man and the Era," is written by the author's son, John Edgar Hoover.



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Gorbachev Admits Economy Fails and Urges Freer Market

By Bill Keller
New York Times Service
MOSCOW — Conceding that his economic program had become badly bogged down, Mikhail S. Gorbachev called Tuesday for new measures to lift controls on farming, industry and private business and give more freedom to the marketplace.

The Soviet leader, in his opening speech to a national Communist Party conference, said that his earlier economic proposals had been too timid and shortsighted, and had become entangled in bureaucratic resistance.

Mr. Gorbachev warned, apparently for the first time, that the Soviet Union faced a problem familiar to the West: a budget deficit that has created a danger of inflation.

The speech was Mr. Gorbachev's most candid admission to date that his economic program had failed to break the stranglehold of central government ministries and to raise his people's standard of living.

The disappointments of the economy were clearly a motivating force behind the political transfer of power that was the main theme of his speech.

Mr. Gorbachev called for shifting political power from the Communist Party to elected government bodies, and from Moscow to localities.

The speech moved the Soviet leader more decisively into the camp of his more radical economic advisers, who have complained for months that the economic changes put into place over the past two years were too little and too slow.

"There was a lot we simply did not know and did not see until now," Mr. Gorbachev said. "The neglect in various fields of the economy turned out to be more serious than we had initially thought."

Mr. Gorbachev said one major mistake had been allowing the traditional practice of price setting and government distribution of supplies to continue. This, he said, had turned out to be a major impediment to economic revival.

Discarding his earlier plan to maintain this system until the next decade, he declared that before 1990 companies must begin competing in a wholesale marketplace for their energy and raw materials.

Mr. Gorbachev also hinted strongly that he no longer planned to wait two years before raising prices on consumer goods like meat and milk. The Soviet leader last year backed away from price in-

creases on consumer goods because of strong popular resistance.

"It is absolutely necessary, therefore, to resolve this problem no matter how difficult it may be and no matter what doubts and fears it may create at first glance," he said.

The Soviet leader promised that money taken away from consumers in the form of higher prices would be returned to the population in some form of compensation.

In a proposal with important political and economic ramifications, the Soviet leader said local governments should be allowed to tax the earnings of companies in their jurisdiction.

This move, he suggested, would strengthen the financial clout of the local governments, which now take their budgets from Moscow, and would make producers more sensitive to customers.

In another move that has been urged by many of his economic advisers, Mr. Gorbachev promised strict new limits on the power of government ministries to dominate factories by issuing state orders for products.

He said this power had essentially become a back-door way of running the economy from Moscow, instead of letting consumer demand drive industry.

He said the emphasis on churning out more goods, regardless of who wants them, must give way to use of the market and a greater emphasis on quality.

Mr. Gorbachev's speech shows him searching increasingly for private, market solutions to his country's economic ills.

He renewed his appeal for greater use of small-scale, leasehold farming as the solution to the country's critical food shortage.

Although the government has lifted many controls on farming, he said with evident frustration, local bureaucracy and old habits have prevented food production from gaining on the growth of the population.

Discussing the persistent housing shortage, he said the solution lay in lifting restrictions on private ownership.

In discussing the country's economic predicament, Mr. Gorbachev touched on a problem long known to exist but rarely discussed in public.

"For many years," he said, "state budget expenditures grew more rapidly than the revenue. The budget deficit is pressing down upon the market, undermining the stability of the ruble and of monetary circulation as a whole, and giving rise to inflationary pressures."



As hundreds gathered Tuesday in Moscow to mark the party conference, a policeman struggled to get a TV crew off a flower bed.

Main Points of Speech

(Continued from page 1)

Region of Azerbaijan. He appealed instead to the people of the Soviet Union to get along together instead of wrangling over ethnic differences.

Legal System — The Soviet legal system is conservative, he said, and based on command-style administration rather than democracy. Mr. Gorbachev urged radical reform of the courts and improvements in the militia after what he called major mistakes and abuses.

Foreign Policy — Some mistakes were made in foreign policy because of a lack of proper consultation. Changes at home demanded a change of tack in foreign affairs, making possible breakthroughs in disarmament.

In foreign economic policy, priority will be given to socialist countries. The long-term plan includes transition to a convertible ruble and a single socialist market.

Science and Culture — The Soviet Union should reform its approach to science because it has fallen behind in some important areas, particularly basic research. There should be more funding for scientific work. It is important to boost the intellectual and spiritual potential of science, education and all culture.

Youth — Fundamental changes are needed in education. Policy towards the young should be discussed at a Party Central Committee plenary meeting.

Women — Women are unable fully to enjoy their rights in the Soviet Union because they have so many duties to perform and suffer inadequate living conditions and poor child-care facilities. They should be better represented on governing bodies at all levels and become more involved in solving problems which directly affect them.

Human Rights — Human rights are an integral part of socialism and must be borne in mind in the country's reforms. Planned political reforms are aimed at enhancing people's political rights, which had been painfully affected by the old command-style leadership.

SOVIET: Gorbachev Asks Reform

(Continued from page 1)

and they applauded Mr. Gorbachev's most traditional sentiments.

But his harshest criticisms of the past and his most radical calls for accelerating the pace of change met with a eerie silence.

Mr. Gorbachev's closest adviser in the Politburo, Alexander N. Yakovlev, said at a news conference later that the Politburo had approved the speech eight days ago.

He said that while there were conservatives among the delegates, "even they don't believe there is an alternative to reform."

Mr. Gorbachev's goal for the party conference is to deepen his political support, accelerate the pace of change and make reform, he said, an "irreversible" part of Soviet political life.

Speaking against the delegates suggested that while he may face no clear opposition leader or platform, he has yet to win the hearts and minds of many in the rank and file.

In the speech, Mr. Gorbachev attacked what he called the "disease" of bureaucracy and abuses in the country's planning ministries for, he said, retarding the pace of economic change and making "undisputed attempts at perverting the essence of reform."

Speaking against the "command" style of centralized agricultural planning, Mr. Gorbachev said, "We must make the farmer sovereign master, protect him against command methods and radically change the conditions of life in the villages."

He said the collective farm system would be retained, but he proposed a system for families to lease land from the farms and to benefit from their labor and productivity.

He blamed the state's industrial managers for making too many decisions "in the seclusion of offices," an administrative style, he said, that has "had its ill effects on the social mood of the people."

The Soviet leader blamed planners for clinging to "hopelessly outdated" methods of organizing production by setting quotas rather than emphasizing quality and "concrete end results."

Mr. Gorbachev noted that the country had yet to change its way of thinking about wages, with many people still thinking that if an individual earns more money by working harder, he is defying the principles of socialism. Of such thinking, he said, "We keep chasing it out the door, as the saying goes, but it climbs back through the window."

Mr. Gorbachev anticipated radical changes in the Soviet legal system, saying, "We should unwaveringly observe the principle that everything not prohibited by law is allowed." He added that there should be "no departures" from the principle in court of "innocent until proven guilty."

On the nationalities issue, Mr. Gorbachev spoke against changing borders to resolve ethnic disputes. The comment appeared directed at the demands by Armenian activists in the enclave of the Nagorno-Karabakh Autonomous Region, in Azerbaijan, to be transferred to the Armenian Republic.

Perhaps his most liberal moment was his comments on the relationship between church and state. Speaking to delegates of the avowedly atheist Communist Party, Mr. Gorbachev said:

"We do not conceal our attitude to the religious outlook as being non-materialistic and unscientific."

But this is no reason for a disreputable attitude to the spiritual-mindedness of the believer, still less for applying any administrative pressure to assert materialistic views."

Mr. Gorbachev seemed to walk a fine line on the issue of individual rights. He criticized the police for abuses and asserted the "inviolability" of citizens' private lives, even mentioning the need for "secrecy of telephone communication, postal and telegraph correspondence."

On the other hand, he appeared to please the delegates quite a bit more when he spoke in defense of the society's right to protect itself from "money-grubbers, scoundrels, pilferers, hoologans, slanders and bores" through what he called effective means.

To one of the few moments of applause, Mr. Gorbachev said, "Democracy is incompatible either with wantonness or with irresponsibility or with permissiveness."

Just hours after Mr. Gorbachev spoke, about 200 Crimean Tatars tried to demonstrate in central Moscow. Policemen dragged them to buses and took them away after they had unfurled banners demanding the right to return to the Crimean homeland, from which they were exiled in 1944.

A few blocks away, policemen dragged away members of a citizens' group called the Democratic Union, which advocates a multi-party political system.

Of all Mr. Gorbachev's remarks, the ones that went furthest beyond the current debate in the Soviet Union, were his specific proposals for political and institutional change.

Mr. Gorbachev proposed that the present Supreme Soviet, or parliament — which has a membership of 1,500 — should add 750 representatives elected by various civic organizations.

The new body, the Congress of People's Deputies, would be responsible for electing the president and a Supreme Soviet with approximately 400 members.

According to Mr. Gorbachev's plan, the Congress of People's Deputies would meet annually to discuss major policy issues, while the Supreme Soviet would stay in session throughout the year.

U.S. to Join With Israel To Build Anti-Missile

By David B. Ottaway
Washington Post Service
WASHINGTON — Israel and the United States will sign a memorandum of understanding in the next few days for the joint development and experimental testing of an anti-tactical ballistic missile to help Israel cope with what it sees as the growing missile and chemical weapons threat from its Arab neighbors, a high-ranking Israeli source said Tuesday.

The missile, known as the Arrow, is already under development in Israel but the Israelis are anxious to get U.S. funding and technology for the project. According to the proposal now under discussion, the United States would put up 80 percent of the cost and Israel the remainder to develop the technology and "prove by demonstration that it is feasible," the source said.

A Defense Department spokesman said the governments had reached "a verbal agreement" in April on the project, "to demonstrate the Israeli-proposed concept for the Arrow." The U.S. contribution, he said, will be "less than \$140 million" spread over three fiscal years.

Defense Minister Yitzhak Rabin of Israel met with President Ronald Reagan Tuesday and other top administration officials, including Defense Secretary Frank C. Carlucci, earlier to discuss what Israeli leaders now regard as the primary thrust to their security: the potential use by Arab states of missiles carrying chemical warheads in another Arab-Israeli conflict.

The Israeli source said that as a result of the "indiscriminate" use of missiles by Iraq and Iran against each other's cities, there was a "growing change of attitude" throughout the Middle East about using them and a new arms race to "prove by demonstration that it is feasible," the source said.

U.S. officials have said recently that the proliferation of intermediate-range missiles in the Middle East has also become one of the administration's principal concerns.

STRATEGY: A Vow to Fight On

(Continued from page 1)

of full civil disobedience by the year's end.

There is a sense among Palestinians that there can be no turning back, even if it means more hardship and repression.

"We know internally that if we stop they are going to crush us, the merchant said. "We have to keep going, changing our tactics as needed to do what we can do best to keep Israel off guard," the leader said.

Though the revolt began spontaneously last December, it soon spawned an effective leadership. Relying heavily on grass-roots organizations and unions, women's groups, professional associations and youth organizations, the leadership has found the tools to oppose Israeli occupation in ways that it could never do before.

The leadership has been drawn from five groups: Yasser Arafat's Fatah; the Palestine Communist Party; the fundamentalist Islamic Jihad; and two Marxist groups, the Democratic Front for the Liberation of Palestine and the Popular Front for the Liberation of Palestine.

Though four of the groups belong to the Palestine Liberation Organization, it is local, clandestine PLO figures who are in charge, not the external organization based in Tunis.

Initially, each of the five groups provided three members to a 15-member Unified Command. But recently, for reasons of security and efficiency, that number has been cut back to five members, or one from each of the factions.

One of the main organizing tactics used by the Unified Command is the distribution of clandestine leaflets. Whether by threat and coercion or by conviction and solidarity, Palestinians have closely followed the leaders' instructions.

"The revolt has been bolstered by apparently more than adequate funds to cushion the economic impact of protracted strikes, boycotts and Israeli reprisal measures."

"We have all the money we need now, and then some," the Unified Command leader said.

To date, the money for the uprising — estimated by some sources at \$750,000 or more per month — has been provided by the PLO or by collections in the occupied territories from wealthy Palestinians and businessmen.

The summit of Arab leaders in Algiers earlier this month announced that an agreement had been reached on funding the revolt, but no figures were released. So far, no money pledged at the summit has reached the occupied territories, according to Unified Command members.

With or without that money, Palestinian leaders say, the uprising will continue until their demands are met.

According to Unified Command leaflet No. 20, the uprising might be stopped if Israel agrees to free municipal elections under international supervision, the introduction of an international peacekeeping force, an end to Israel's policy of deporting troublemakers and implementation of the fourth Geneva accord, which set standards for the treatment of civilians by occupying powers.

Until then, the Ramallah leader said, "the struggle will, and must, continue."

PLO: U.S. Assesses a Peace Feeler

(Continued from page 1)

administration officials said they were especially intrigued by its call for negotiations with Israel. It also called for a referendum in the Israeli-occupied territories to determine who will speak for Palestinians at peace talks.

Administration officials said that the document would not prompt the United States to open a dialogue with representatives of the PLO or governments that are friendly with the organization.

Some administration officials said they suspected the PLO may be under some pressure to moderate its position. When Mr. Arafat, the PLO chairman, visited Moscow in April, Mikhail S. Gorbachev, the Soviet leader, publicly urged him to respect the security and territorial rights of Israel.

Mr. Gorbachev's action seemed to be part of a larger move toward traditional Soviet support of Arab countries to an approach that also includes better relations with Israel and a peaceful resolution of regional disputes.

Mr. Arafat has made it a practice to allow other PLO officials to make moderate-sounding statements, while declining to publicly endorse or disown them himself. His reaction to his spokesman's statement was no exception.

When asked Friday in Belgrade whether Mr. Abu Shanif's statement was an authentic PLO document, Mr. Arafat said, according to the Yugoslav press agency, "I will not tell this to you, but only to an American representative."

The agency also quoted Mr. Arafat as saying: "With the Israelis I can talk only at an international conference. I am not an amateur in politics. I am president of the PLO."

The issue of an international conference on the Palestinian question remains a major stumbling block to any resolution of the issues of Palestinian rights and self-determination.

Mr. Shanif is firmly opposed to such a conference, and even if all sides could agree to convene talks, there is no agreement on the mandate of the conference or on who would represent the Palestinians.

TILT: Poll Favors the Democrats

(Continued from page 1)

3,021, in May — to probe for underlying attitudes.

The survey has developed a unique, value-based classification system, which divides the electorate into 10 segments, each sharing a common set of views about the world, the nation and the government.

Other than the "disaffecteds," Mr. Bush is doing quite well with the main parts of the Reagan coalition. He is backed by four of five voters in the two main blocs of Reagan supporters; the mostly male, white, affluent, educated "enterprisers" and the largely southern "moralists" including many born-again Christians.

In the last year, support for Mr. Bush also has markedly increased among the "upbeats," a younger, white, middle-income constituency, few of whom have attended college and who say they believe in the American dream. Mr. Bush has risen from 47 to 70 percent support among "upbeats" but, as with "enterprisers" and "moralists," he lags behind Mr. Reagan's nearly unanimous levels.

Mr. Dukakis has gained 80 to almost 90 percent support from three main blocs of Democratic-leaning voters — the "parisian poor," many of whom are black, the elderly "New Dealers" and the "60s Democrats."

ATHENS: U.S. Attaché Is Slain

(Continued from page 1)

grace Agency chief in Athens, Richard Welch, in 1975.

In 1983, the group, which has consistently eluded police efforts to capture its leaders, said it killed George Tsantes, a U.S. military liaison official at the embassy in Athens.

Last year, November 17 claimed responsibility for two attacks on buses carrying U.S. personnel. In 1985, 69 Americans were injured in a bomb attack on a nightclub. U.S. personnel have since been issued standing orders to avoid congregating in large numbers at such places.

The last anti-American attack in Athens was in March, when 14 persons were injured in a bar frequented by U.S. personnel from a military base south of the capital.

One of the group's demands is the removal of U.S. military facilities in Greece, whose future is currently under negotiation in talks between Athens and Washington. U.S. Embassy officials said it was not immediately known if Captain Norden was a member of the U.S. delegation at the discussions. As defense attaché, however, the presence of the bases in Greece was one of his principal concerns, Western diplomats said.

According to U.S. officials, the current agreement covering four major U.S. installations and about 20 smaller facilities expires next month. At the time, Greece, a member of the North Atlantic Treaty Organization, is expected to invoke termination procedures permitting Athens to give the United States 17 months to dismantle its military presence, the officials said.

TOLL: Brakes Are Cited in Paris Crash That Killed 59

(Continued from page 1)

As he saw the incoming train hurtling down the track, he had also yelled a warning to passengers, but it was too late for most of them to leap onto the platform.

Most of the casualties were in the first-class compartment at the head of the stationary train, which was less crowded than the second-class compartments further back.

Philippe Rouvillois, director-general of the railroad company, said both trains were of heavy steel construction built to withstand an impact of at least 40 tons. But the incoming train mounted on top of the waiting train, peeled back the roof of the first-class carriage along three quarters of its length and came to rest wedged against the roof of the underground station.

Since 1981, 82 people have been killed and more than 450 injured in eight previous accidents on the French railroads. The two most serious accidents occurred in August, 1985, killing a total of 75 people.

Rail Crash in Germany

Officials said a woman was killed and eight persons seriously injured Tuesday when a West German express smashed into a derailed freight train. Reuters reported from Saarbrücken, West Germany, the freight train had gone off the tracks when it ran into a mudslide.

OPENING OF THE CHAMP DE MARS UNDER WATER

BUFFALO BILL'S WILD WEST

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Romania Closes Hungarian Consulate in Dispute



Hungarians protesting in Budapest against a Romanian plan to raze villages, including many inhabited by the Hungarian minority.

The Associated Press
 VIENNA — Amid mounting tensions between Hungary and Romania, neighboring Warsaw Pact allies, the Romanian government on Tuesday ordered the immediate closure of a Hungarian consulate and expelled the consular staff, the Hungarian press agency MTI said.

The decision to close the consulate in Cluj-Napoca was apparently prompted by a demonstration in Budapest on Monday in which 50,000 Hungarians protested a project calling for the demolition of thousands of Romanian villages, including ethnic Hungarian communities, by the year 2000.

The plan is depicted by the Romanians as rural modernization.

The Hungarian press agency said that Romanian foreign minister, Ioan Toma, called in Ambassador Pal Szecs and told him that Romania considered the operation of the consulate as "terminated with immediate effect."

According to MTI, the Romanian leadership also demanded that the staff "should leave the territory of Romania within 48 hours."

Cluj-Napoca is a city in Transylvania in northwestern Romania where most of the 1.7 million ethnic Hungarians live. To Hungarians it is known as Kolozsvár.

The Romanian president, Nicolae Ceausescu, rejected on Tuesday all criticism of his village demolition program and accused the Hungarian leadership of having actively supported the Budapest protest demonstration.

The protesters, many of them carrying torches or candles, filed past the Romanian Embassy in the biggest rally organized by a dozen unofficial groups since the 1956 Hungarian uprising.

Reacting quickly to the demonstration and a growing wave of Hungarian protests over the resettlement plan, President Ceausescu denounced what he called "new actions of a chauvinistic, nationalistic, anti-Romanian, anti-socialist nature" in Hungary.

The Hungarian agency said: "Responsibility for violating the consular agreement that is in force" between the two countries lies with the Romanian government.

It added "this severe Romanian measure" would not divert Hungary from "its principled policy aimed at deepening friendship between the Hungarian and Romanian peoples, strengthening the connecting role of the nationalities living in their countries."

In a speech to the Romanian Communist Party's Central Committee in Bucharest, Mr. Ceausescu also hinted that he may direct the Romanian Embassy in Budapest to scale down operations following the protest rally.

Pasha de Cartier

THE ULTIMATE WATCH

PARIS - LONDON - NEW YORK
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 AND ONE HUNDRED AND TWENTY CARTIER STORES IN MAJOR CITIES WORLDWIDE.

Projects Demands

President Bars Deal for Pol Pot

Reuters
PHNOM PENH — President Samrin of Cambodia said today that he would not dissolve the Vietnamese government as of any settlement of the 10-year conflict with guerrilla groups.

Heng Samrin said Phnom Penh was ready to negotiate with Cambodian opposition, but not the leadership of the Khmer Rouge. He said his government categorically rejected the proposition of the Khmer Rouge leader Pol Pot, whom he called an "ambitious, and other unnamed" Rouge leaders.

Heng Samrin said his government also would not give in to demands by the UN-recognized coalition to disband or to a back seat in Vietnam in any talks.

He said there was "no denial" of the Cambodian government's role, referring to the "Provisional Government of Cambodia" that he said there was "no political means" that topple his government.

Heng Samrin, in a speech at National Theater to some of the 100,000 Vietnamese military staff advisers, called their return a historic turning point.

Samrin's announced pullout of 10 troops from Cambodia this week has been under way since 40,000 of them will be sent by the weekend, Cambodian officials said. At least 50,000 Vietnamese troops will remain in the country.

From this day the party, army people take upon themselves the task of defending the country," he said in an address that included officials, diplomats, journalists and senior soldiers.

Mr. Heng Samrin spoke to departing troops, Vietnam was using a blueprint for peace from Cambodian guerrilla coalition, headed by Prince Sihanouk, called this "for direct talks in Jakarta between Hanoi and the coalition," he said at the disbanding of the Samrin government.

The Samrin government categorically rejects this proposal," said a Radio Hanoi broadcast, monitored in Phnom Penh on Tuesday.

Heng Samrin said his forces gained enough battle experience in 1978 to cope with the Vietnamese invasion of the country in 1978 to drive out the Rouge government of Pol Pot.

At present, the guerrillas have been able to occupy even a inch of territory nor any military positions," Mr. Heng Samrin said. They have not been able to enter a single village. They threaten and oppress a certain number of people but they have not won popular sympathy."

Vietnamese withdrawal has impeded efforts by both sides of the conflict to negotiate a settlement. Hanoi has said the 100,000 troops remaining after this withdrawal will be gone by the end of the year.

South Korea to Free Some Political Prisoners

Reuters
SEOUL — South Korea will grant amnesty to a number of political prisoners this week, the anniversary of President Roh Tae Woo's public commitment to democratic reforms, a Justice Ministry spokesman said Tuesday.

The spokesman did not say how many persons would be released under the amnesty, which is scheduled for Thursday. But sources in the governing party said the action would benefit more than 40 prisoners jailed for anti-government activities.

It was not clear whether the amnesty would include prominent dissidents such as Kim Kwan Tae and Chang Ki Pyo, whose release has been demanded by the opposition. Mr. Kim and Mr. Chang are the best-known dissidents still in prison since Mr. Roh granted amnesty to 125 political prisoners in February to mark his inauguration as president.

Mr. Kim, 40, was sentenced to five years in jail in 1986 on charges that he tried to overthrow the Seoul government and promoted propaganda from North Korea.

At his trial, Mr. Kim said he had been subjected to repeated electric shock and other torture over a one-month period in a police center in Seoul to make him confess to the charges.

Mr. Chang, the leader of an opposition group, was sentenced to seven years in jail for organizing a violent 1986 demonstration in the city of Incheon.

Wednesday is the first anniversary of Mr. Roh's "June 29 declaration" when, as ruling party chief, he pledged to initiate a series of political reforms, including fair presidential elections, a range of civil liberties, and amnesty for a leading government critic, Kim Dae Jung.

His announcement ended weeks of violent protests across the country against former President Chun Doo Hwan.

Mr. Roh went on to win the presidency in an election in December.

Opposition estimates of political detainees vary from 500 to about 1,000. Justice Ministry officials put the figure at just under 350.

Qatar Defies U.S. on Stinger Missiles

By Elaine Sciolino
New York Times Service
WASHINGTON — The Gulf sheikhdom of Qatar, which has traditionally sought good relations with the United States, is defying the Reagan administration by refusing to turn over American-made Stinger missiles that it bought on the black market.

The United States protested Qatar's acquisition of the anti-aircraft missiles on Saturday, when Richard W. Murphy, the assistant secretary of state for Near Eastern and South Asian affairs, met in Doha, the capital of Qatar, with Crown Prince Hamad bin Khalifa al-Thani, the defense minister. The purchase of the Stingers is illegal under U.S. law.

Mr. Murphy told the prince that the United States wanted immediate access to the missiles to determine through their serial numbers who sold them to Qatar, and he demanded that the missiles be returned to the United States, State Department officials said.

Prince Hamad rejected the demands, saying Qatar needed the missiles to defend against threats to its security, the officials said. "So far, we're at an impasse," a State Department official said. The Stingers are widely sought but rarely sold in the Middle East.

Washington's displeasure with Qatar comes at a time of increased concern in both the United States and Israel over the spread of ballistic missiles in the region.

The United States has little leverage over Qatar, which buys no weapons and receives no military or economic aid from Washington.

The United States learned that Qatar had Stinger missiles in March, when American Embassy officials in Bahrain noticed a Stinger missile in an official military parade in Qatar.

When administration officials confronted Qatar with the evidence, officials in Doha admitted that they had secretly bought 12 of the Stingers, but the officials refused to identify the source.

Mr. Murphy's efforts were intended to signal to Qatar that its black-market purchase of the Stingers has hurt relations with the United States and will make military cooperation impossible until the missiles are returned.

The U.S. officials speculate that Qatar bought the Stingers from arms dealers with access to weapons intended for Afghan guerrillas or that they were part of a shipment seized by Iranian Revolutionary Guards from Afghan insurgents a year ago.

Qatar's purchase of the Stingers has raised concern in Washington that the weapons, which have been covertly supplied by the United States to the Afghan guerrillas, could spread throughout the region.

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STRATEGY: U.S. to Join With

To Build Anti-Missile

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U.S. Officials, Split on Issue, Weigh Steps on Soviet Radar Site in Siberia

Michael R. Gordon
New York Times Service
WASHINGTON — Facing divisions in their ranks on the Reagan administration officials Tuesday to consider what about a disputed Soviet early-warning radar facility in Siberia.

The Defense Department officials and hard-liners elsewhere in government want to declare the "material breach" of the anti-ballistic missile treaty, a that could give the United States the right to suspend some of its obligations under the treaty.

This approach is being resisted by State Department officials and Arms Control and Disarmament Agency. State Department officials have proposed inspections firm that work on the radar site.

United States has long argued that the radar, at Ableskovo near Krasnoyarsk, violates the ABM Treaty because it is not peripheral to Soviet territory and is intended to track and intercept incoming ballistic missiles. Those treaty provisions are intended to prevent the development of a wide anti-missile defense.

The administration has demanded that the radar be dismantled.

and U.S. officials informed the Soviet side at the recent Moscow summit meeting that the United States would not sign a new strategic arms treaty until the dispute over the radar had been resolved.

The Soviet side has denied that the radar violates the treaty, but last October it imposed a one-year moratorium on the unfinished site.

Discussion of the issue has become more heated because the administration is preparing for a five-year review of the ABM Treaty, to be held with Soviet officials before Oct. 1. U.S. officials said that the review might be held as early as next month and that the U.S. delegation was likely to be headed by William F. Burns, the director of the Arms Control and Disarmament Agency.

Specialists say it is not clear what actions might be taken if the radar is pronounced a "material breach" of the ABM Treaty. But some officials have suggested that the United States might stop adhering to limitations on testing and deployment of advanced space-based sensors.

Critics of this approach assert that a declaration of "material breach" would be an empty gesture because Congress would be unlikely to provide funds for a new U.S. program if no work was being carried out on the Soviet site.

U.S. inspectors will start visits to Soviet bases on Friday to oversee destruction of medium-range nuclear missiles under the terms of the new U.S.-Soviet treaty, Reuters reported from Tokyo.

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Mugabe Pledges Zambian Aid

Reuters
HARARE, Zimbabwe — Zimbabwe troops will stay in Mozambique until trade routes to the secure, President Robert Mugabe pledged on Tuesday.

At a new session of Parliament, Mr. Mugabe said that the would "remain in that country until the enemy is neutralized."

Zimbabwean troops, numbering at least 7,000, are deployed in the corridor to the port of Beira. They forces of the Maputo government, which is fighting the rebel Frelimo National Resistance Front.

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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Sudan Like Ethiopia

Ethiopia deserves the worldwide condemnation it has received for blocking shipment of food to northern regions afflicted by famine and insurgency. But why has Ethiopia's huge neighbor, Sudan, escaped comparable criticism for what looks like the same offense, in its stricken south?

The Savimbi Question

The Savimbi question used to be easy. Jonas Savimbi, head of an Angolan insurgent movement called UNITA, was making his way chiefly as a client of South Africa, which not only was illegally occupying Namibia but also was dispatching its own forces directly into Angola to Namibia's north.

Voodoo Economics Again

The man who heckled Ronald Reagan for "voodoo economics" in 1980 is now beating the drums for his own version. Vice President George Bush flatly rules out tax increases and new taxes to balance the budget if he is elected president. He claims that the budget can be balanced with a "flexible freeze" on spending, increased revenue from growth and savings from lower interest on the national debt.

Other Comment

A Less Special Relationship Turn the Heat on Ceausescu To be a Romanian at this moment of history is a misfortune. To be a Romanian of Hungarian ethnic origin is a double catastrophe. Small wonder that the Hungarians are finding it hard to contain their anger at events in Transylvania, the once-Hungarian province where the Hungarian minority of at least 1.7 million people is concentrated.

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Dukakis, Too, Has a Record to Attack

By David S. Broder

BOSTON — Incumbency has its perils. Vice President George Bush has known that for a long time. As the presidential candidate of the two-term Republican administration, he is subject to all its frailties. Now Michael Dukakis, for more than nine years governor of Massachusetts, is learning, too, the risks in having a record.



The Restoration, if It Comes, Will Wear a Fez

By Aaron Latham

WASHINGTON — When the future Charles II of Britain was out of power — after a revolution and the beheading of his father — he took refuge in Dutch brothels. Which brings us to the Democratic foreign policy establishment. It has also been out of power for a long time. The Democrats managed to find some think tanks, university faculties — but they are hoping for the same sort of Restoration that Charles enjoyed.

Only now are voters beginning to get the same perspective on the accomplishments and shortcomings of the Dukakis record. One front-page story reported that "after 15 years of economic renaissance, Massachusetts appears headed for a decade of significantly slower growth, according to Frank Morris, chairman of the Federal Reserve Bank of Boston."

Maynes suggests Walter Mondale, Secretary Mondale? Michael Dukakis would smile his Anatolian smile.

Who would make the best team players? Perhaps fez wearers. People who can keep their egos under their hats. One person who evidently wears hers well is Madeleine Albright. No important Democrat will say anything bad about her.

When Is It Proper to Criticize Israel?

By Richard Cohen

WASHINGTON — In 1956, Elie Wiesel published "Night," an account of his time in Auschwitz. It is a spare book — sad, harrowing and immensely powerful — much like the man himself. But while he is spare, he looms large. To much of the public, he is the gentle voice of the Holocaust victims.

100, 75 AND 50 YEARS AGO

1888: Harrison Named

CHICAGO — The Republican Convention has nominated a strong negative ticket after deliberation and as a relief from the cruel anxieties of a political nomination, without considering sentiment, tradition or reform.

1913: Racial Trouble

NEW YORK — Another irritant to the Japanese situation in California is furnished in the expulsion [on June 27] of Korean laborers from the town

A Moment For Reagan To Seize

By Tom Wicker

NEW YORK — Now comes a new but perhaps final "moment of opportunity" to meet the Soviet Union halfway in putting an end to arms race and a cold war that has kept the security and prosperity of both.

They hoped it would be Michael Dukakis. But Mr. Cohen pointed out that Ronald Reagan already had as Mr. Gorbachev "15 to 20 percent of the way" with the INF Treaty, as that experience with Richard Nixon and Mr. Reagan had persuaded both leaders that they could best work with conservative presidents.

Handwritten signature: John, 10/13/88

ARTS / LEISURE

Venice Biennale: Giving Artists the Last Word

By Michael Gibson

Venice — The Venice Biennale set a record of sorts this year by getting its act together in a mere four months. The director Giovanni Carandente and his team decided that the Biennale, for the first time in 16 years, would not organize the show around a theme (such as the "Art and Science" show two years ago). Instead they would present the works sent by the artists who had been invited.

The exhibition, which runs through Sept. 25, is consequently far removed from the strenuously didactic tone of the past. They are displayed simply each in his own room, and works are allowed to stand or fall according to their merits. Many fall.

The Biennale prizes, abolished 20 years ago, have been revived. Jasper Johns, whose recent paintings are on display at the American pavilion, won the International Prize, the Italian pavilion was awarded the national pavilion prize, and other prizes went to British sculptor Tony Crag and to Barbara Bloom, one of the young American artists in the Aperto (Open) section.

The Central Pavilion which, in recent years, had been devoted to thematic exhibitions, was redesigned in its original function as the Italian pavilion, and its five large halls were devoted to 19 Italian

artists and eight foreigners who live much of the time in Italy.

The once noisy boys of the Italian *Transavanguardia* have space for their large works. Some of them, Enzo Cucchi for one, have developed a great deal of chic, but Mimmo Paladino stands head and shoulders above the rest in authenticity and ability. He is represented here by some large, forceful sculptures and four paintings that fill the big room, creating an environment marked by highly complex and indeed theatrical interplay.

Foreign artists in the Italian pavilion include Cy Twombly who has departed from his familiar all-white tone to produce big canvases in green and black, intended to be viewed as a sequence. They lack the indefinite poetic mood of former works and call to mind the aquatic paintings of Monet. Sol Lewitt is showing a somewhat arbitrary geometric construction together with some equally geometric wall paintings. These are done by superimposing various colors, a procedure which generates tones of great warmth.

The Biennale Gardens are dotted with sculptures that are intended to evoke artists and currents of the past 20 years or so: Willem de Kooning, Lynn Chadwick, George Segal, Mark di Suvero and Eduardo Chillida among others. But the selection is not always the best and nor are the works presented to good effect.

In addition to the Italian building there are 27 national pavilions, mostly devoted to one-man shows. The recent works of Jasper Johns, in the American pavilion, have something desperately Joycean about them.

One can sense this when looking at the work; the catalog states it explicitly, and it is apparent, for instance, in the artist's virtuosic recourse to humorless, quasi-mechanical visual puns.

One could say that two big questions hover over the various contributions to the Biennale this year: the problem of content (should this be beyond itself — and if so, what?), and the problem of identity (who am I and where do I stand?).

The problem of content is a painful dilemma which raises issues beyond art itself and it prompts some artists, such as Johns, to resort to some very complex strategies. The purpose of such strategies is to find an approach that makes it possible for the artist to avoid the sort of obvious "content" (political, psychological or mystical) that would tend, in his view, to place him outside the proper realm of art.

The problem of identity is apparent almost everywhere and with greatest acuteness in Third World countries.

The Aperto section is located in the splendid 16th-century building of the Arsenal and is devoted to artists under 40. A number of Soviet artists in their 50s were also admitted into this section, presumably because the years during which they were unable to exhibit in their own country were considered deductible.

The overall effect is disappointing to the extent that much of it is either relentlessly minimal or relentlessly conceptual. Exceptions include the Canadian Barbara Steinman, the Japanese sculptor Toshikatsu Endo and the Greek Iorgos Lappas.

The Soviet pavilion spares us the familiar father figures of the Revolution and is devoted to works of Aristarch Lentulov (1882-1943). They are the colorful, pleasant paintings of a man who knew the Futurists and the Cubists well and who mainly chose to dwell upon specifically Russian subjects.

'Artifact' Is a Dazzle

By David Stevens

PARIS — The traffic is heavy in traveling dance companies at this time of year, and the latest to come to town is William Forsythe and his Frankfurt Ballet, appearing at the TNP-Chalet in the Festival de Paris. Forsythe has leaped to prominence in the last few years with dances created for several European and American companies, but as director of the Frankfurt Ballet since 1984 he has shaped an international troupe of 30-plus dancers into brilliant instrument of his choreographic and theatrical imagination, as shown in the fall-evening "Artifact" on view here.

Schoenberg is supposed to have said that there is still plenty of good music to be written in the key of C, and Forsythe, like Balanchine before him, is showing that there are still surprises to be pulled out of a classical vocabulary. He has been hailed in some quarters as a "new Balanchine," which is more of a load than anyone should have to carry.

All the same, his movements are complex and unexpected, with astonishing lifts and extensions and sudden changes of direction, reminiscent of Balanchine; the speed is dazzling and the execution usually close to the ground, as in Bouronville. But if there is anything new in classical, the writing comes from a world that has seen rock, postmodern and even break dancing.

"Artifact" is a kind of dance symphony in four movements, for which Forsythe has also done the decor, costumes, lighting, and even some of the music. There is a text, too. The work opens with the words "Step inside" and ends with "Step outside," and in between is a succession of hermetic phrases constructed by the constant rearrangement of a limited vocabulary — almost a verbal metaphor for the dancing. They are delivered by Kathleen Fitzgerald, dressed in a period gown, and Nicholas Champion, carrying a load-bearing chair.

The steps are mostly empty and black, the dancers arranged in agonies or lines, with soloists or couples moving out of the geometrical formations. The effect is deconstructed and kaleidoscopic, broken up by the low-placed lighting that gives the scene a constantly changing texture or silhouette, or in the second part by the repeated pallid drop of the curtain to announce a new picture.

A rancorous sound collage by Forsythe is the sound for the scherzo of this symphony, which involves some music scenery stirring by the speaking woman (panels with abstract sketches by Forsythe). The first two movements are danced to the famous Bach "Chaconne," first on piano, then on violin, while the final part has variations by the famous Ben Chocoma-Roch, in the pit. The whole is a kind of Wilsonian theatrical experience — Robert Wilson, that is — in which the choreography is the main weight-bearing element.

Frankfurt Ballet, ballets by William Forsythe: To June 30: TNP-Chalet, Paris. "Artifact," July 2, 3, 4: Montpelier Dance 88 festival, two programs, including "Love Songs," "Stepside," "In the Middle," "Somewhat Elevated" and other works.



Jasper Johns's painting "Spring" (1987) at the Venice Biennale.

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 28th June 1988

Table with multiple columns listing various international funds, their abbreviations, and their current values. Includes sections for AL-MAL GROUP, MONEY MARKET FUND, INVESTMENT FUND, and various regional and thematic funds.

Nothing Ventured in Eyre's 'Changeling'

By Sheridan Morley

LONDON — Richard Eyre's new production of "The Changeling" at the Lyttelton, comes as a fine indication of the kind of National Theatre we are likely to get as his new leadership takes the South Bank into the 1990s. Essentially his world seem to be a central philosophy: The production lacks the spartan clarity and energy of Peter Gill at the old Riverside, but nor is it as sensual or rich as might have been expected from

Terry Hands or Trevor Nunn at the old Stratford. It redefines the text to the extent of moving the action 200 years forward into a Spanish slave colony of the last century, but it does not reflect any strong directorial thesis beyond that. This is a pragmatic production for changing times, and maybe all to the good.

At its center, Miranda Richardson has a little trouble making the verse middle in the Lyttelton's flat acoustic, but her Beatrice-Jonson admirably conveys a sense of kind of impotence as she moves from the arrogant employer of De Flores as a killer to the appalled realization that his obedience has now made

of an unhappy childhood behind her irritable virginity, so perhaps unfairly one spends much of Hamble's play wishing he had cast Barry Humphries or the late Joyce Grenfell as the poet who would have been one of their best creations. There are some intermittently funny moments ("I have had 42 years without physical love despite scowling the length and breadth of Bloomsbury"), but "Facades" is ultimately as desiccated as much of Dame Edith's own writing.

On the Cotswold stage of the National, Nick Ward's "The Strangeness of Others" offers a bleak panorama of London life peopled by beggars, choosers, prostitutes, punks and policemen, all of whom have a drifting claim to the attention of a contemporary observer. There are five thousand stories in the naked city, as American television announcers used to intone, and it looks at first as though Ward is going to tell us most of them; but somehow his own attention starts to wander, and the stories themselves end up in second place to a hazy overall view of an urban wasteland where nothing is quite what it appears to be.

As Thornton Wilder established half a century ago in "Our Town," there is a constant fascination in community life. But these fragments, sketchy characterization of men and women desperate for love do not add up to any coherent urban landscape. Ward's staging suggests a workshop rather than a finished production, but his writing does a lyrical melancholy perfectly suited to the gloom he finds in its concrete jungle.

Dining Out advertisement featuring a starburst logo and listing various restaurants such as GENEVA, AU VIEUX STAND, ASHIANA, LA CHEVAUCHE, JARRASSE, PRUNIER-MADELINE, KITTY O'SHEA'S PUB, JOHN JAMESON, INDRAS AND VISHNOU, and DIAPASON.

DOONESBURY comic strip section featuring several panels with dialogue and illustrations of characters like Mr. and Mrs. Doonesbury.

Egypt: New Pressures

Mubarak Holds Extremists at Bay

By Henry Tanner

CAIRO — Islam is more than ever a part of the Egyptian national landscape, but there are signs that President Hosni Mubarak's policy of co-opting the Islamic moderates in order to isolate the extremists may be succeeding.

Islamic politicians have been active in the People's Assembly, or parliament, ever since their party, the Ikhwan, even though illegal under the constitution, gained 36 seats in last year's election. They appear frequently on television and write in the newspapers.

Their performance has shown, many Egyptians now feel, that they have little to offer on practical economic and social issues beyond their basic motto that "Islam is the solution." The motto is proclaimed by billboards all over cities and villages.

Islamic extremists, meanwhile, have stepped up their demands on the population. They are pressuring women to replace the *hegab*, the Islamic headscarf that covers the hair but leaves the face free, with the *niqab*, a veil that covers all but the eyes.



Hosni Mubarak

Another of their aims is to close down the nation's theaters, which they regard as sinful, and stop musical events except for those performed with ancient instruments that the Prophet Mohammed is said to have liked. Gangs of toughs have been breaking up performances in towns and even villages.

In the most serious incident a few weeks ago, they injured actors and spectators at the University of Assiut in Upper Egypt.

This so enraged Adel Imam, a popular actor, that he took 50 performers to Assiut 10 days later and staged a play in the same hall, even though he and other performers had received death threats.

The effect was dramatic: not only was the hall packed, but thousands of cheering people came to meet him at the station and jammed the streets to and from the university. Photographs of the mass of happy faces were splashed all over the front pages of Cairo newspapers.

Mustafa Amin, a leading columnist, is one of many who think that this was a turning point — that the Moslem fundamentalists are increasingly out of tune with popular opinion.

"The fundamentalists met popular resistance for the first time," he said, "people said they are fed up, and they will challenge them again."

Religious feeling among ordinary citizens, however, remains very high.

"This is religion and not fundamentalism," commented a foreign diplomat, adding that "Egyptian Islam, for the most part, is mainstream and moderate."

The danger that Egypt may become an Islamic theocracy, if it ever existed, has become even more remote, in the view of foreign residents.

Internal security remains one of the main concerns of the government. The police have been dealing harshly with the clandestine, potentially violent Islamic groups.

"There is an invisible line in the sand between tolerated and unacceptable activities," an official said. "The press and the recognized parties are free, but street demonstrations of any kind are out, and so is everything else that could be destabilizing."

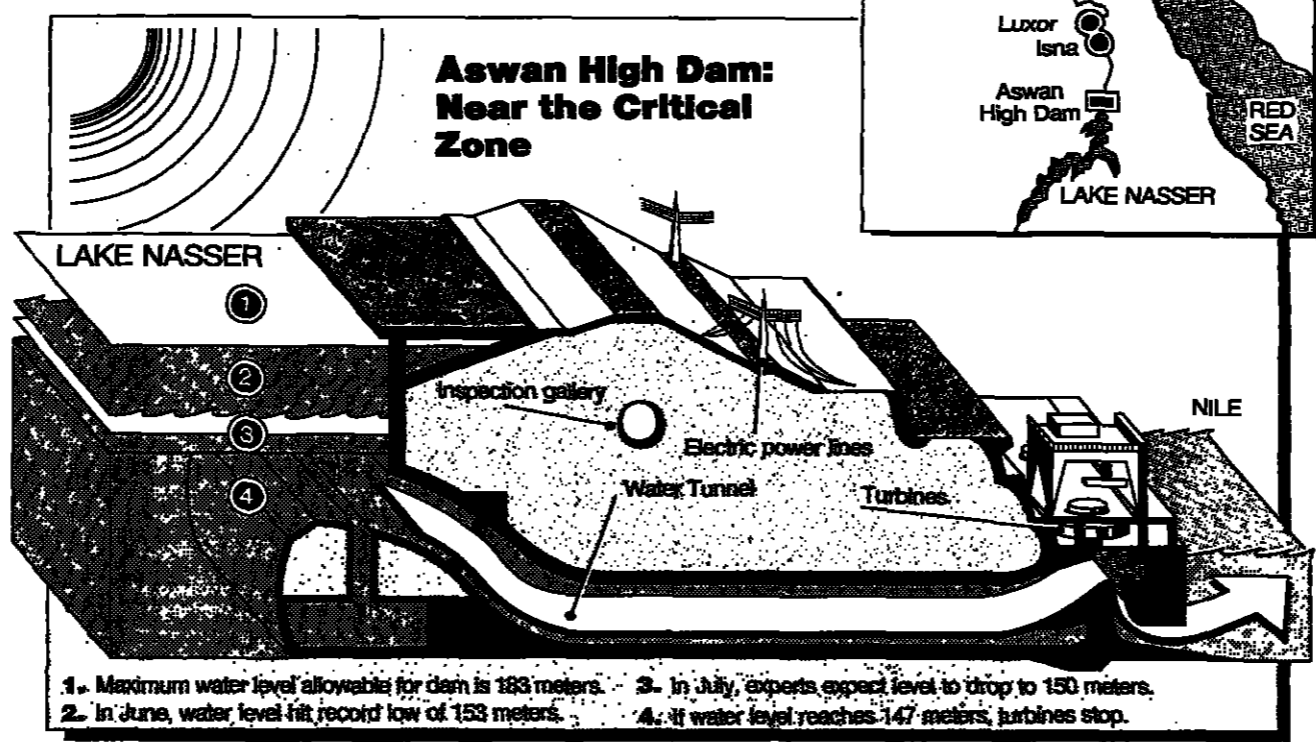
University students who attempt to take to the streets never get farther than a few hundred yards before being dispersed.

But Islamic groups are taunting the government with periodic spot demonstrations after Friday prayers.

On a recent Friday, as the worshippers filed out of the Al Hussein Mosque, about 200 of

Continued on page 10

Drought Tests Nation's Dream



ASWAN — "Water is our lifeblood," said Hanim al-Bas, a 40-year-old peasant woman who has filled the land on the outskirts of Aswan since she was a child. "Without water, we have nothing. With water" — she turned to indicate the green fields behind her, where dirt canals plowed through palm trees, mango, corn and okra — "we have all this."

For the *fellahin* of the Nile River Valley in Upper Egypt, the High Dam at Aswan has brought stability and prosperity. "Before the dam, we had only one crop a year," said Hanim's husband, Hashim. "And sometimes our village would be under water for July and August with the flood. Now we have two crops every year. And our house stays dry."

Hanim and Hashim al-Bas, and other farmers like them in this lush land close to the Nile, pray daily for a good flood. They know that if the flood is bad the High Dam Authority will release less water, and they will have less in the irrigation canals that keep their land from joining the desert that starts just across the road.

Since 1984 when it first began rationing water to farmers, the Ministry of Public Works and Water Resources, formerly known as the Ministry of Irrigation, has been preaching conservation.

"We still have plenty of reserves left for irrigation and drinking water," said a ministry undersecretary, Abdul Badie Abulhoda. "This only becomes a problem when the level at the High Dam goes down to 120 meters — and that will never happen."

Many experts dispute this figure, however. In fact, the rated minimum level for reserve storage at the High Dam is 147 meters (160 yards), only three meters below the forecast mid-July level.

In a letter to *The Times* of London, following an article on Egypt's dwindling water resources last November, the minister of public works and water resources, Essam Rady, forecast that Lake Nasser reserves would drop to 38 billion cubic meters (50 billion cubic yards) in July.

That is a scant 5 billion cubic meters more than Egypt uses in a single year for irrigation alone and it is lower than Lake Nasser has dropped since it was officially opened in 1971. The reservoir was conceived for a maximum capacity of 162 billion cubic meters.

Already in January, the Nile was so low that the big tourist boats which cruise from Aswan to Luxor had to stop at Isna, about 50 kilometers (30 miles) below Luxor, and buses had to take the tourists to

Continued on page 14

THE NEWS

June 21: Hundreds Protest at Bank Crackdown
 A beat hundreds of anti-Israeli protesters chanting Islamic fundamentalist slogans and besieged others at the Al-Azhar mosque. The protest was the most dramatic series of demonstrations provoked by Israeli crackdown on Palestinians in the West Bank and Gaza Strip.

June 27: Mubarak Goes to Washington
 President Hosni Mubarak meets in Washington with Secretary of State George P. Shultz as part of Egypt's drive to reduce tensions in the Middle East and promote Israeli peace talks. Mr. Mubarak hopes to convince the U.S. administration to support a UN-sponsored international conference as an umbrella for direct Israeli negotiations.

June 20: Assembly Votes to Extend Emergency Law
 People's Assembly approves a three-year extension of an emergency law that the government said was needed to combat Islamic fundamentalists and terrorists. The law has been in effect since President Anwar Sadat was assassinated in October 1981.

June 23: U.S., Egypt Sign Military Agreement
 United States and Egypt agree on cooperation in arms development, training in Cairo to the same level of military partnership with Washington as Israel and NATO allies. The agreement gives the Egyptian government access to more sophisticated defense equipment and special is to bid on U.S. defense contracts.

June 5: Police Detain 50 Fundamentalists
 Police detain about 500 Moslem fundamentalists in connection with an investigation into three assassination attempts in more than a month. The attempts were against an Egyptian magazine editor, a former interior minister and two U.S. diplomats.

June 24: Military Officer Charged in Smuggling Case
 Egyptian military officer was charged and another cited in connection with a alleged scheme to export illegally high-tech U.S.-made chemicals and materials to Egypt. One of the officers, Lieutenant Colonel Mohamed Abdella Mohammed, was arrested in Baltimore and released after he asserted diplomatic immunity. The charge was lifted by the U.S. Justice Department. The trials were believed to have been in preparation for use in the Condor II surface-to-air missile Egypt is developing with Tunisia, possibly with Iraqi funding.

THIS REPORT

Post-Nasser Era 10
 Egypt and the Arab world, a new universal phenomenon has arisen to supplant Arabism.

Ramid Power 11
 A growing number of tourists is welcome for the economy. But pressure on the country's monuments is causing concern.

U.S. Bazaar 12
 Egypt has joined the top ranks of Third World exporters, with Iraq believed to be its largest customer.

Banking Woes

economic downturn and controversial actions have cut into bank earnings.



Bank of Cairo: Egypt's banks are more funds, make fewer loans.

The Economy

Soaring Revenues Bring Some Relief

By Olfat Tohamy

CAIRO — In an economic picture in which the bright colors continue to be outnumbered by shadows, the good news has been that revenues from Egypt's four principal hard currency earners — tourism, remittances from Egyptian workers abroad, Suez Canal tolls and oil exports — are ranging from satisfying to excellent.

Remittances from workers, primarily from the Gulf countries and Iraq, rose to almost 6 billion Egyptian pounds during the nine months ended in March, compared with 3.6 billion pounds for the corresponding period last year.

Tourism brought in more than 3 billion pounds during the same period, an increase of almost 50 percent from the previous year.

Suez Canal tolls improved slightly.

Revenue from exporting oil, gas and petroleum products increased by nearly 100 percent during the nine months to more than 862 million pounds.

The recovery of the tourism industry has been the most spectacular. The number of tourists traveling to Egypt had slumped dramatically after a series of terrorist attacks in the Middle East, including the hijacking of the Italian cruise ship *Achille Lauro* by Palestinians in October 1985, the killing of two Israeli diplomats in early 1986 and an unsuccessful attack on two U.S. diplomats in Cairo.

The hefty increase in workers' remittances, economists believe, is due primarily to a reform which appears to have attracted large amounts into the banking system that previously went into the black market or were hoarded as dollars. A dollar deposited in a regular bank now brings 2.3 pounds, or more than three times as much as before the reform.

The fact that the government now is at last making a serious effort to extend normal banking regulations to the Islamic investment houses, with their large offshore operations, also may have had an effect. The number of Egyptians working in the Gulf is not believed to have changed substantially.

But, the sharp overall increase of invisible earnings in the four principal revenue areas is not more than partial relief.

The government of President Hosni Mubarak faces a formidable array of difficulties: a huge foreign debt; three-year-old economic stagnation coupled with an inflation rate of about 30 percent; rising unemployment and conflicting pressures on one side from the International Monetary Fund to reduce basic subsidies and on the other from a population suffering badly from rising prices.

The successful partial devaluation of the pound, which resulted in the large new deposits from foreign workers, was a major feature of the reform program on which the government embarked last summer following the conclusion of a standby agreement with the IMF. That agreement led to the rescheduling

OL FAT TOHAMY, a journalist based in Cairo, is the editor and publisher of Gulf Insider Report.

Amoco and Egypt
A 25 Year Success Story

Endangered Monuments ■ IMF Pressures

Anxiety Over Debt Talks

By Omat Tohamy

CAIRO — Egypt's negotiations on repayment of its foreign debt have entered a delicate phase. Now engaged in crucial talks with the International Monetary Fund, Cairo is anxious to resolve differences over rescheduling agreements with Paris Club creditors that arose last year and to gain approval for a new round of rescheduling talks.

achieved at the outset, because these countries' representatives showed their understanding for Egypt's conditions," Mr. al-Zawhi said. But, the outcome of Egypt's request for another phase of Paris Club rescheduling hinges on support from the IMF. Cairo and the IMF resumed talks this month, but the future of any agreement with the fund remains uncertain. A standby credit of \$342 million has been held up because the IMF has said that it was not satisfied with the pace and extent of Egypt's economic reforms. Only the first tranche of the standby, amounting to \$159 million, has been granted.

Prime Minister Atef Sedki has said that the government is determined to maintain the fixed exchange rate of 0.7 Egyptian pounds to the dollar, which, he said, served as an indirect subsidy on food prices. He said that IMF suggestions for energy prices were too steep and that the government refuses to raise interest rates 20 percent to 25 percent, as demanded by the fund. He also noted that the budget deficit will not fall to the IMF target of 10 percent of gross domestic product. Government officials insist that achieving a single, free market exchange rate will require several years of gradual adjustments. They say that an extended fund facility from the IMF over three or four years would give the government time to implement the structural reforms to comply with the fund's austerity measures.

Cultural Must: Reining in the Tourist Hordes

By Jane Friedman

CAIRO — For hundreds, thousands of years, Egypt's grandiose ancient monuments have had tourists from all over the world. They were allowed to roam among the pillars and statues, touch with their hands the designs by the Pharaohs.

implemented, but those involved say it is just a matter of time. Why are the Egyptians showing concern just now?

Since the 19th century with its important discoveries of Pharaonic monuments, modern archaeologists have known of the vandalism and decay that left many of these antiquities in a state of disrepair.

In the race to excavate and discover, archaeologists had no time for preservation or restoration. Restoration got a major boost in the 1970s as excavation slowed and Egypt turned to the West.

It continued under the leadership of Ahmed Kadri, who until recently headed the Egyptian Antiquities Organization, the government department responsible for all of Egypt's relics.

But concerns about tourism were limited to whether it would bring in enough money to help cover Egypt's balance of payments deficit.

Officials began to consider the ravages of tourism in 1987 as the industry recovered from a mid-1980s slump and broke new records. In 1987, according to Tourism Minister Fouad Sultan, 1.8 million foreign tourists visited Egypt and 2.2 million are expected in 1988.

The Getty Institute, working on the elaborately painted tomb of Queen Nefertari in Luxor, closed to tourists for years, made it known that swarms of tourists, giving off heat from their bodies and from flash bulbs, could worsen the damage already caused by salt crystallization.

And, last spring, as a production of Verdi's Aida was about to debut in the ancient temple of Luxor, archaeologists from the University of Chicago, who were restoring the temple, warned that vibrations from the show could endanger the pillars.

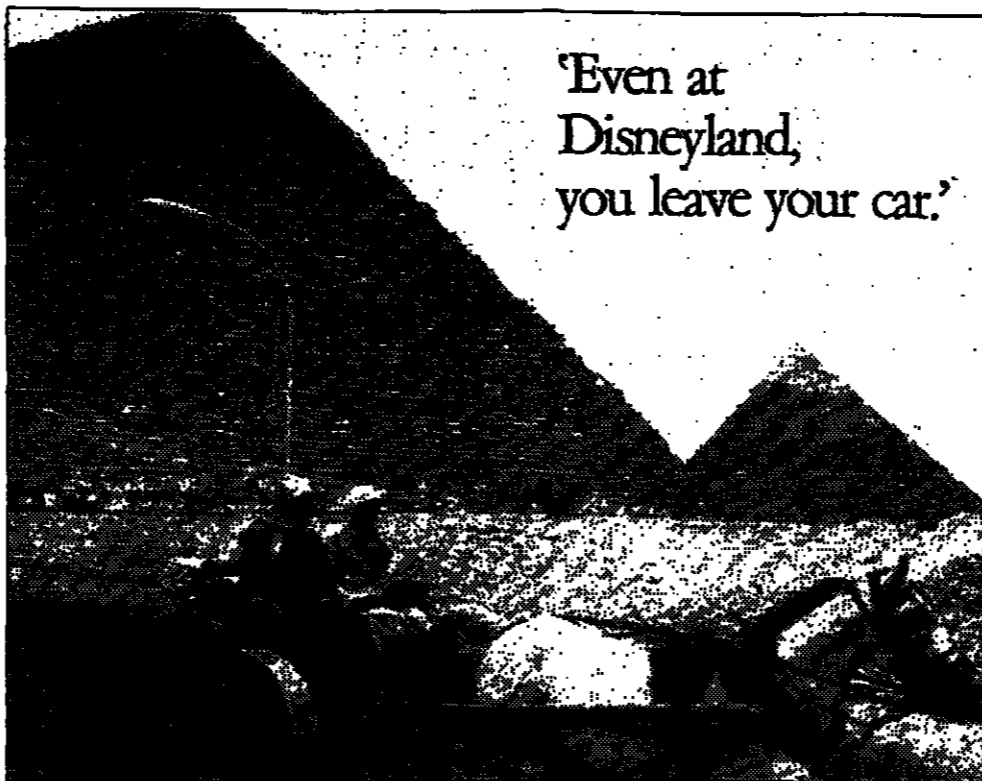
In February, a 270-kilogram (600-pound) boulder broke off the shoulder of the Sphinx.

Although an international team determined that the Sphinx was primarily threatened by leaking underground waste water from the nearby Mena House hotel and from a village that abuts the Giza Pyramids, the disaster catapulted preservation to the top of the archaeological agenda.

The government is already funding a new sewage system there but, according to Mr. Hawass, by the summer of 1990 automobiles will be banned from the Giza plateau where they now weave in and out between the Pyramids. Three parking lots will be built around the plateau. Visitors will leave their cars in the lots and take shuttle buses.

Another casualty will be the horses and buggies, the camels and donkeys, that offer tourists rides next to the Pyramids. No more sunset gallops around the monuments. The animals will be moved some distance away.

Egyptians who go to the plateau at night to cook out and couples who gaze at the massive stones bathed in moonlight will also be banned. An "entertainment center" will be built off the plateau so



'Even at Disneyland, you leave your car.'

that night-time visitors can see the Pyramids but not loiter around them.

Mr. Hawass said that after the Giza plateau is remodeled, Luxor, the site of 50 percent of Egypt's ancient monuments, will take priority.

According to Mohammed Salmawy, an undersecretary in the Culture Ministry, the government wants to turn the town and its plethora of temples and tombs into a "museum" by banning automobiles.

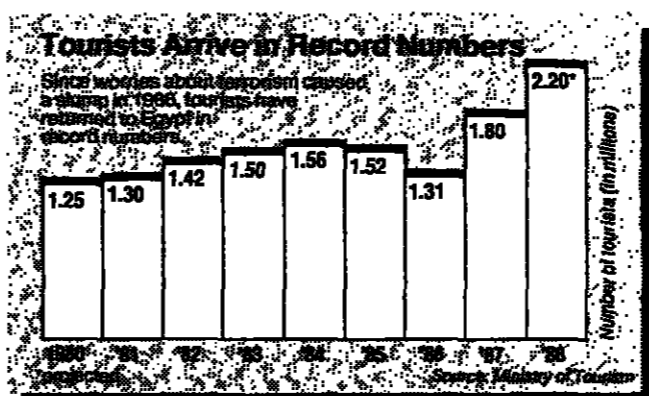
BUT EGYPT will have to go further than banning cars and horses to protect its ancient culture, archaeologists say. First, said Mr. Corzo, a "strong guiding influence" has to be found to direct the Egyptian Antiquities Organization through a time of creative change.

In February, when the Sphinx lost part of its right shoulder, Mr. Kadri lost his job as head of the organization. No replacement has been named.

Second, Mr. Corzo said, the most popular ancient sites must be protected not only from automobiles and beasts of burden, but from man as well.

This means, he said, building staircases or walkways through, for example, the Karnak and Luxor temples so that tourists are contained in certain areas and can no longer, as Mr. Salmawy said, "etch their name in the stone with a heart and arrow."

One idea is to leave a 4,000-



year-old Pharaonic bark in situ underneath the Giza plateau and to build a Plexiglas tunnel from which tourists will view it. According to this plan, proposed by Swedish archaeologists, the tourists will be in effect, behind bars.

Mr. Corzo said that the number of tourists visiting open-air sites each day should be limited and that viewing time should be restricted. Tourists and guides should be made aware of their importance to the country.

An aggressive program of restoration would help open up additional archaeological sites, said Mr. Kadri, thus taking the pressure off the most popular spots in Luxor and Cairo.

"We have to convince the tourists to deviate from the dogmatic itinerary," he said. The Egyptians have in mind such areas as Minya in Upper Egypt, near Tel Amarna, the site of King Akhnaton's tomb,

and the Mediterranean city of Alexandria.

Tourists who have been to Egypt before will be relieved to know that they were able to see it not too differently from Mark Twain. They were able to gallop around the Pyramids and wander freely through the towering pillars of Karnak.

But no one doubts that if the great culture of the Pharaohs is to survive for future generations, a "guardrail shield" is essential.

"A comprehensive plan of restoration and landscaping is the only way to face escalating tourism," said Mr. Kadri. "It's a cultural must."

JANE FRIEDMAN, a Cairo-based journalist, is a regular contributor to The Christian Science Monitor and The Observer.

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Paying for the Army ■ Liquidity and Loans

Home-Grown Arms Industry Is By-Product of Changing Alliances

By Kenneth R. Timmerman

CAIRO — From being an arms importer subject to embargoes only 15 years ago, Egypt has joined the top Third World arms exporting nations...

artillery, air defense systems and rocket launchers.

Although Egypt does not publish any statistics on its arms exports, unofficial estimates of its arms sales to Iraq ran to around \$600 million per year, before the 1987 devaluation of the Egyptian pound.

The sales to Iraq began in 1981, when President Anwar Sadat said that Egypt had concluded a \$1 billion agreement to provide Iraq with tanks, aircraft, ammunition and huge quantities of Soviet spare parts.

Egyptian weapons factories now turn out everything from hand guns to attack helicopters.

Munitions plants produce more than 200 million rounds of ammunition per year. And with congressional approval of a watershed cooperation agreement secured in May, an Egyptian factory will begin producing one of the most modern tanks in the world, the U.S. M1A3 Abrams, in 1991.

Paradoxically, it was peace with Israel that led to the dramatic rise of the Egyptian weapons industry.

From 1952 until 1975, Egypt depended almost wholly on the Soviet Union for arms. If Soviet prices were good — many of the weapons were free — political strings were attached. On one crucial occasion, at the peak of the 1967 war, the Soviets cut off deliveries, teaching the Egyptians a lesson they were not quick to forget.

Officials readily admit that arms sales have become a necessary source of income, but they insist that the guiding reason behind the build-up of Egypt's weapons industry was national security.

"There is nothing like having ammunition close to the theater," the minister of state for military production, Gamal el-Sayed, said in an interview. "Ammunition supplies can stop at a critical time. You remember President Sadat saying in a broadcast that there were ammunition ships coming to Alexandria and Port Said, but they had lost their way. Of course, they didn't lose their way. They had a political direction sending them somewhere else."

If Israel is not the threat it used to be, Libya has increasingly come to preoccupy Egyptian military planners.

Part of a planned deterrent includes a top-secret ballistic missile program under development with Argentina, and possibly Iraq. Called the Condor II, it will give Egypt the capability of launching a warhead against targets up to 700 kilometers (400 miles) away.

The Condor II program has aroused great disapproval in Washington, anxious to promote the Ballistic Missile Control Regime signed in April 1987 to prevent the proliferation of critical missile technologies to Third World countries such as Egypt.

But the Egyptians defend their decision to develop the new missile as a strictly defensive program. "When we look around us at the number of countries in the region who already possess such missiles — Israel, Syria, Libya,



Workers in a munitions plant.

Kuwait, Iraq and new Saudi Arabia — we realize we cannot afford to be left behind," one said.

The United States and Egypt have sought to play down the arrest in Washington last Friday of an Egyptian military official in connection with an alleged attempt to export highly sensitive material apparently intended for use in the Condor program.

Since the Camp David agreements with Israel, Egypt has scaled back its standing army. From an estimated 700,000 in the aftermath of the 1973 war to fewer than 450,000, including 250,000 conscripts. "The general tendency is to replace men with technology," said Deputy Information Minister Mamduh Beltagi.

More and more of that technology will come from the United States and Europe. Egypt's 1987-1992 defense program plans the modernization of large stockpiles of Soviet equipment by Western and Egyptian firms, because it is cheaper to upgrade older weapons than to buy new ones.

The largest of these upgrade programs concerns Egypt's esti-

mated 900 T-54/55s, the standard battle tank in much of the Arab world. "None of these tanks has a gun that is any good against today's armor," said Mr. Sayed. "So we have decided to put in a British gun, a new engine and upgraded electro-optics."

Egypt expects to maintain its fleet of upgraded Soviet tanks until the year 2000. As production of the M1A3 accelerates toward the end of the century, the Soviet tanks will gradually be phased out, along with current generation M-60A3s.

Upgrading can also lead to entire new weapons systems. This is the case of the Sinai 23, which combines an Egyptian-made 23mm twin-barreled anti-aircraft gun with a French radar, mounted on an American M-113 armored personnel carrier. Production is to begin late this summer.

Another project has pitted U.S. and British defense contractors against each other to design a new self-propelled howitzer, using an Egyptian-built 122mm field gun. BMY, of York, Pennsylvania, and Britain's Royal Ordnance have

been showing prototypes of the new howitzer since 1984. The Egyptians say they have finalized their decision and plan to announce a contract award before the end of the year.

Egypt's first weapons plant — Factory 81 — was built in 1949, although production was limited to simple wooden mines and mortar bombs. More munitions plants were built in the 1960s and early 1970s with Soviet help.

But it was only after Egypt's 1973 war with Israel that work began in earnest to produce entire weapons systems. From forging special metal alloys to assembling electronic guidance units. Bolstered by an investment of more than \$1 billion from the oil-rich Gulf states, Egypt set up the Arab Organization for Industrialization in 1975, and signed cooperation agreements with Britain, France, West Germany and the United States.

The idea was to marry Egypt's large pool of skilled and semi-skilled workers with the oil fortunes of the Gulf. But in 1979, the Gulf states withdrew from the

AOI to protest the peace accords with Israel. However, they left their money behind. And during the early 1980s, the nine Egyptian AOI factories managed to coproduce a wide variety of defense systems under license, including Jeeps, helicopters and jet fighters.

Officials at the Arab-British Helicopter Company said they were in discussion with French and Arab users to set up an overhaul center for Gazelle helicopters currently operating in the Middle East. They also said they envisaged setting up a servicing center for Soviet-built helicopters as well.

Egypt is hoping that the renewal of diplomatic relations with many Arab countries which followed the Anwar Sadat regime's summit last November will lead to renewed investment in the AOI.

To show the seriousness of its commitment, Egypt shifted its chief of staff, General Ibrahim el-Orabi, to the top position at the AOI in October 1987. General Orabi is one of Egypt's best officers, and his managerial skills have won widespread admiration.

By far the largest group of military factories are run by the National Military Production Organization, which was given a shot in the arm by the massive contracts with Iraq for ammunition, artillery rockets, and spare parts.

Between the two organizations, 26 separate defense companies employ about 75,000 of Egypt's best workers. Many of these have received training in Western Europe or in the United States on numerically controlled milling machines and other high technology machine tools. And they are by far the best paid labor force in the country.

When military orders slack off, the weapons plants switch to civilian products, making everything from water pumps, aluminum doors, sewing machines, scissors and meat grinders.

Still, most of the plants are running far under capacity. They could produce two to three times

their current output, factory managers and other officials said. The steady increase of the 13 N.M.P.O. companies has amounted to about 1 billion Egyptian pounds (\$741 million) before the 1987 devaluation. AOI turnover is as much again.

Because of the vicissitudes of Egypt's international alliances, some of the arms factories have changed their technology standard three times during the past 30 years, from British, to Soviet and now to American. To do so, they must not only change their machine tools, but their basic unit of measurement as well.

As elsewhere in the Egyptian armed forces, great care has been taken in the weapons factories not to take on projects that require massive foreign support. Egypt cannot afford to buy technology at any price. Potential projects are subjected to rigorous review before approval.

Tailoring production to the Egyptian work force was a crucial element in structuring the M1 tank agreement with the United States. Although assembly in Egypt is not scheduled to begin until 1991, the M1 plant was inaugurated in May and will begin operating next year. The idea is to build up a specialized work force over several years, which will begin by the repair and overhaul of older U.S.-built tanks and armored personnel carriers.

Egyptian estimates showed that building a new tank factory for the M1 would cost 25 percent more than building a simple rebuild facility, Mr. Sayed said. "And that was what finally convinced us. We were already producing many of the components, so we didn't just pull the idea out of the air. It grew out of existing programs."

KENNETH R. TIMMERMAN is the editor of Middle East defense specialties. He is the author of the forthcoming "Le Jeu des Missiles," a study of arms sales to Iran and Iraq.

Advertisement for Delta International Bank. Includes a map of Egypt with city names like Alexandria, Port-Said, Tanta, Suez, and Helioopolis. Text: "When you think of Egypt think of Delta International Bank."

Economic Slide, Reforms Cut Into Bank Earnings

By Olatf Tohamy

CAIRO — Egypt's banking sector, until a few years ago the economy's pacesetter, is going through its most difficult phase in more than a decade.

The economic downturn and controversial regulations have cut into bank earnings, while government efforts to alleviate the pressure remain slow and modest.

Among the nation's 101 banks, none of the majors is believed to have incurred a loss. Most banks omitted net profit or loss statements from their published year-end results for the first time this

year. A few of the 21 foreign bank branches, however, have reported lower earnings.

The slowdown in trade and project financing, coupled with a sharp drop in expatriate remittances, which provide the bulk of foreign exchange to finance private-sector imports, have squeezed bank profits in recent months. This has resulted in a backlog of applications for letters of credit.

The delay in issuing these letters of credit has grown to six weeks, but bankers said that they expected the seasonal increase in inflows associated with the return of expatriates for the summer holidays to help clear the backlog.

The banks will need an increased flow of remittances to maintain the pace of exchange rate reforms begun in May of last year. The reforms, part of a loan agreement with the International Monetary Fund, aim at ending Egypt's multi-tiered system of exchange rates.

A 40-percent devaluation in the rates used by commercial banks and a government crackdown on

black market money changers have led to an increased flow of foreign funds through the banks — from about \$200,000 a day before the crackdown to an average of \$10 million a day in the 12 months following the devaluation.

Despite the increase in funds, however, the banking sector continues to be adversely affected by other economic reforms aimed at rectifying structural imbalances.

In its annual report, the Central Bank of Egypt said its goals — in line with the IMF accord — were to restrict monetary expansion, bringing it in line with the rate of economic growth in order to reduce inflation. The bank thus issued regulations to control the increase in credit, imposing a lending ceiling of 2.5 percent above the level at the beginning of last year. The central bank also altered the interest rate structure to direct credit toward sectors favored by the reform program.

When the program began slowing down at the beginning of this year and the level of government borrowing from the banks continued to rise, the banks' ability to

conform to the ceiling was achieved largely at the expense of credit for nongovernmental customers.

As a result, the growth in the money supply resumed and inflation picked up, suggesting a reversal of the situation when the central bank's regulations were first enforced. With bank deposits continuing to grow, and the ceiling in force, pressure on the banks has grown.

"We have an increasing amount of liquidity, on which we are paying interest but cannot use for lending," said Mohammed Ozaib, general manager of Misr International Bank.

Officials of the central bank said they were reviewing the regulations on bank credits, indicating that they recognize the pressure on the banks, since projects they have financed — or in some cases directly participated in — are in difficulty.

With the stringent controls on credit, many projects began facing liquidity problems, adding to the pressures of undercapitalization and incompetent management.

This has led to an accumulation of problem loans, which bankers say range from 25 percent to 35 percent of the banks' exposure.

As banks seek to protect themselves against defaults, the trend of increasing provisions against bad debt is accelerating. Banque Misr, Egypt's largest bank, has raised its provisions by one-third.

"The trend is certain to continue this year," said Banque Misr's deputy chairman and general manager, Mohammed Ha'ez.

Mr. Ha'ez also said he expected Banque Misr to increase its provisions even more, underscoring the apparent determination of the major public sector banks to expand in spite of the tight regulations.

Apart from Banque Misr, which has more than two million depositors and more than 300 branches throughout Egypt, the public sector banks also include the National Bank of Egypt, the Bank of Alexandria and Banque du Caire, according to more than four-fifths of the banking system's total assets.

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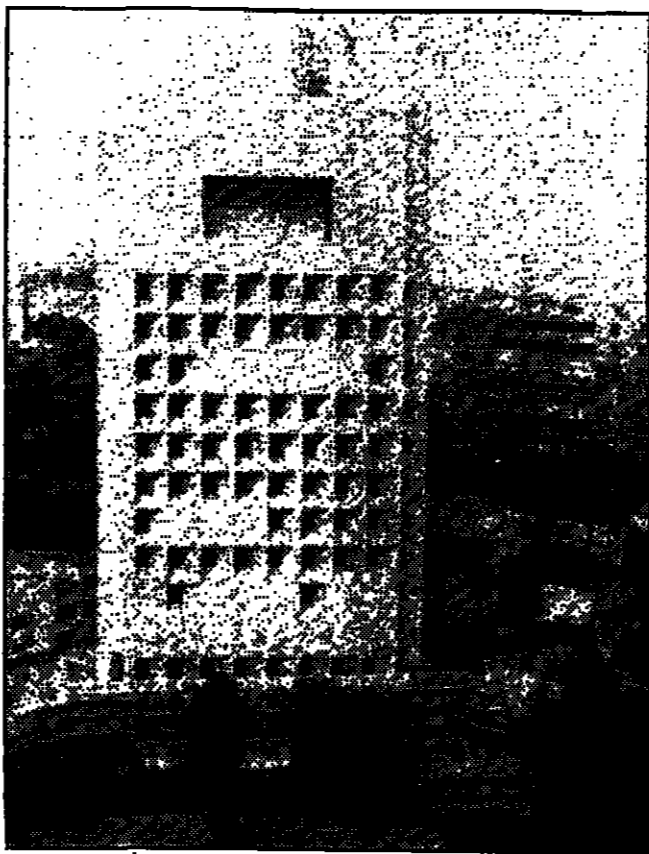
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By Barbara Slavin

CAIRO — At first, it seemed that Richardo Credi's band had slipped into a time warp... relations have perhaps become more realistic and mature. Egyptian officials acknowledge that the fault is not one-sided, but blame the Reagan administration for not trying harder, particularly to expand peace. "The United States is still not doing the maximum," a senior official said, dismissing the recent initiatives of Secretary of State George P. Shultz as too little, too late. Relations have recovered from such shocks as the revelations of arms sales to Iran and the Achille Lauro, when the United States forced down an Egyptian plane carrying the cruise ship's hijackers to a safe haven. President Hosni Mubarak's last trip to Washington in January was more successful than previous visits. Mr. Mubarak has succeeded in putting some political prudent distance between Cairo and Washington and repairing ties with other Arabs and the Soviet bloc. But Egypt's diplomacy remains constrained by having to nurture its relations with Israel to maintain good ties with the United States. "This trilateralism surfaces whenever we are facing problems," the Egyptian official said, noting that for fear of antagonizing Washington, Egypt was unable to withdraw its ambassador from Tel Aviv to protest Israel's handling of the Palestinian uprising. Far more than Middle East politics, the economy is the litmus test for relations. While U.S. aid has helped re-energize decrepit infrastructures so that traffic flows and telephones work, private American companies' investments in manufacturing have been small.

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The new U.S. Embassy building in Cairo.

make it difficult for private firms to compete. Americans also defend their investment record by pointing out the reluctance of Egyptians to risk their own capital. "Whenever Egyptians complain that there hasn't been enough private American investment, I look them straight in the eye and say, when you see more Egyptians investing in Egypt, you'll see Americans," said Frank Wisner, the U.S. ambassador. Since not all U.S. aid has come as grants, the United States is not only Egypt's biggest benefactor but also its biggest creditor. Egypt owes Washington nearly one-quarter of its crushing \$44 billion foreign debt and relies on U.S. lobbying to stay on speaking terms with the International Monetary Fund. Government opponents on the left and the Islamic right charge that Washington has deliberately sought to keep Egypt dependent as a market and a strategic piece of real estate that each year. Some other Egyptians, while not objecting to the "special relationship" with America, criticize the way American money is spent. "We don't need more telephones and sewers, we need exports and jobs," said Heba Handoussa, a professor of economics at the American University in Cairo.

She and others complained about AID's reluctance to help land reclamation and public sector industries. "I'm a strong believer in the private sector," said Ahmed Abd el-Salam Zaki, head of the U.S. department in the Ministry of International Cooperation. "But the private sector is asking that the public sector survive." He explained that many private firms depended on inputs from or sales to state-owned companies. Sometimes the same people who criticize the United States for pushing its free enterprise predilections too far accuse Washington of not pushing Egypt hard enough to reform. "If Egypt didn't have the American government to back it up, we would have had to put our books in order much earlier," Professor Handoussa said. "What strikes me most is how ambivalent everyone is," said Barbara Ibrahim, an American married to an Egyptian and program officer for urban development at the Ford Foundation office in Cairo. "On one side, people are accepting U.S. money and on the other, they are condemning it," she said. "There's a sort of agonized schizophrenia."

BARBARA SLAVIN is a journalist based in Cairo.

Foreign Policy: An African Dimension

By Henry Tanner

CAIRO — Egypt has been making a quiet but persistent effort to give a distinct African dimension to its foreign policy. The effort was highlighted this past weekend as Egypt played host in Cairo to a new round of negotiations between the United States, South Africa, Angola and Cuba on ending 13 years of war in Angola and South-West Africa. Thousands of Egyptian doctors, teachers, agricultural and irrigation engineers, pilots and other experts have been sent south of the Sahara for the past 10 years as part of a South-South technical assistance program for 41 African countries. African police officers, security men, naval personnel and paratroopers have received training in Egypt. "We have no money to put into

foreign aid but we provide skills," said Butros Butros Ghali, the minister of state for foreign affairs who has been the driving spirit behind Egypt's Africa policy. "If a doctor tells me he cannot get the equipment he needs for his hospital unit, I tell him to come home." The army-run Egyptian arms industry has been stepping up sales to African countries. And President Hosni Mubarak, who is still not welcome at Arab summit meetings, has missed no meeting of African heads of state since succeeding Anwar Sadat in 1981. "He has been treated well by his African peers and has great respect for the Organization of African Unity," a presidential aide said, adding that African leaders often showed "wisdom and maturity" in dealing with their differences. Cairo turned its attention to Africa about 10 years ago — long

before the rains stopped falling on the headwaters of the Nile. But the specter of a catastrophic water shortage for energy and irrigation has given the policy new urgency. Wars, civil wars and general domestic instability on the upper reaches of the Nile, particularly in Sudan, Ethiopia and Uganda, will make it impossible for many years to launch major projects for harnessing the river and the lakes through which it passes. The one big project that had been started, the Jongley Canal in Sudan, was halted. But Egyptian diplomacy is taking a long-term approach. Although they deny it in public, the Egyptians are acting as discreet intermediaries in several of the region's conflicts. In addition, they have taken the lead in promoting preliminary steps that are small enough to be possible despite existing tensions. Last year eight of the nine coun-

tries sharing the waters of the Nile basin asked the United Nations Development Program to undertake a study to identify projects that would not be controversial and would not prejudice existing conflicts. The nine are Burundi, Egypt, Ethiopia, Kenya, Rwanda, Sudan, Tanzania, Uganda and Zaire. Kenya stayed away from the preliminary move. Egypt, a downstream country with large needs of water and energy, would be a chief beneficiary of any joint harnessing of the Nile. But the Egyptians argue that the landlocked upstream countries have a vital interest in projects that would give them river and rail access to the Mediterranean. Egypt is as much an African as a Middle Eastern state, said Mr. Butros Ghali, quoting Leopold Senghor, the poet and philosopher and former president of Senegal, on the Pharaonic origins of much of black Africa's earliest culture.

Residents Taking Up Where Aid Won't Reach

CAIRO — Trees grow in Shubra el-Khalefawi and flowers and hedges and grass in the wide spaces between apartment blocks that used to sprout only garbage. A sandy field around an old bomb shelter that once was a hangout for incipient juvenile delinquents has been turned into a community club with swings and seesaws, Ping-Pong tables and, in the shelter itself, workshops for textile printing and carpentry. In other countries, such improvements might not seem so special, but in Cairo, where civic consciousness has been eroded by overpopulation and overdependence on the government, they are rare indeed. Most remarkably, the facelift has taken place in a public housing project and was carried out by residents with very little help from anyone outside. "We were once advised to try to get a grant from the Ford Foundation, but we gave up because there was too much paperwork," recalled Kamal Zaki Allan, one of the leaders of the community of 30,000 in northern Cairo. "It's disgusting. You don't want to ask the government for anything." Other organizations have had more tolerance for bureaucracy and success in wending their way through the Egyptian and foreign aid systems. The U.S. Agency for International Development gives about \$5 million a year to projects proposed by so-called private vol-

untary organizations, many of them religious groups. Aid money, channeled through Egypt's Ministry of Social Affairs, has set up day-care centers, vocational training programs, youth clubs and clinics that provide employment and services that the overburdened government can no longer supply in sufficient quantity or quality. "This country is going through a slow but monumental structural change," said Alex Rondos, program director for the Middle East and North Africa for Catholic Relief Services. "There is an alteration of the social contract. The government can no longer guarantee jobs and services and that's forcing people to fill the gap." The people of Shubra el-Khalefawi were pioneers of this social trend. "There was sewage and garbage in front of our apartments so we decided to plant a garden," Mr. Allan said. "The neighbors saw what we did and became jealous, so they started to do the same." Now greenery covers all the spaces between the buildings. The relative tidiness of the open places has proved contagious. Most of the balconies and shutters on the drab cement buildings are freshly painted, the stairwells are clean and the only graffiti observed during a recent visit was a quotation from the Koran.

Barbara Slavin

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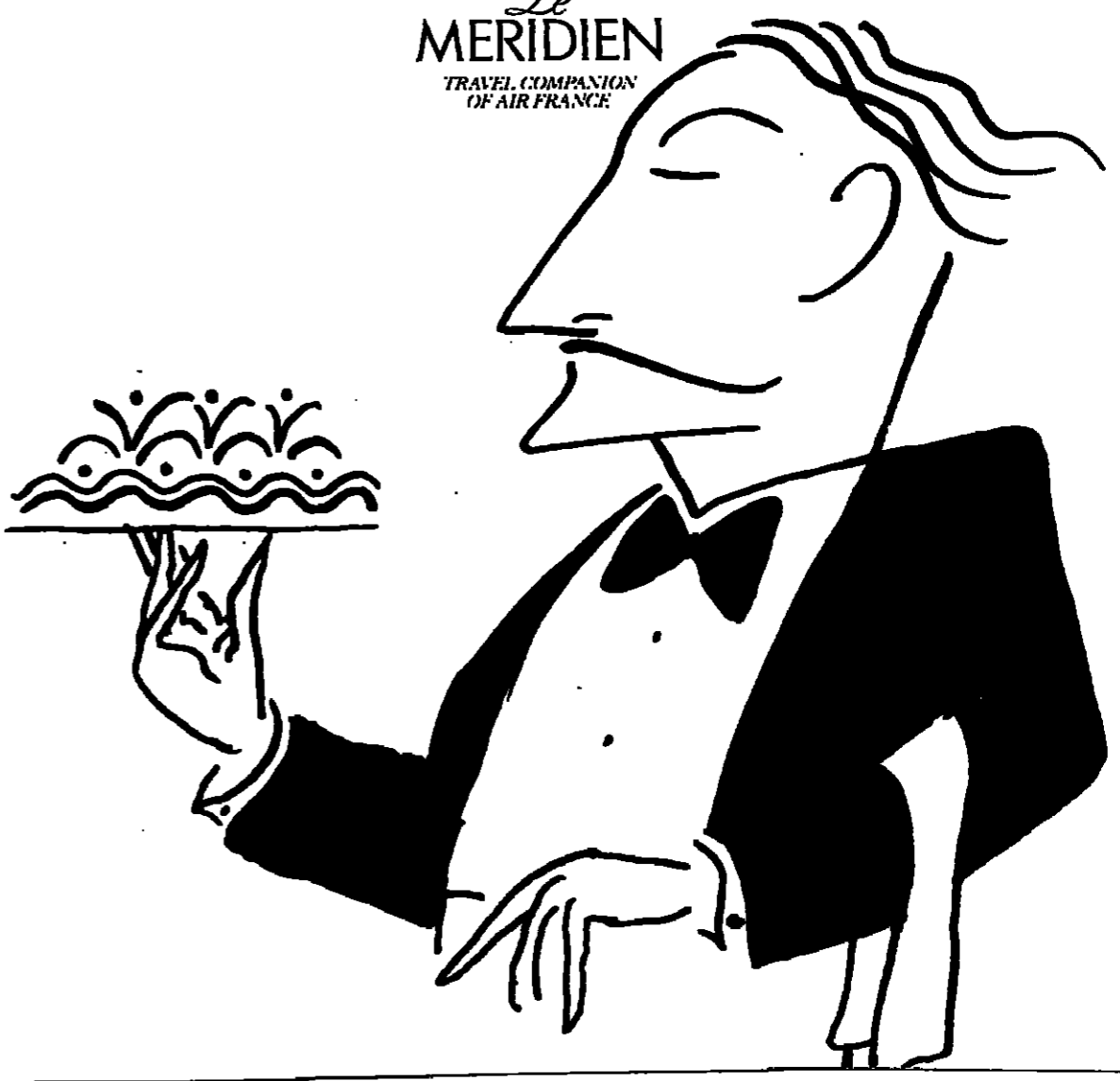


Illustration by Ken Marvanski for Le Meridien

Drought Tests Nation's Dream

Continued from page 9

the temples at Karnak. Tour operators said river traffic returned to normal in February. Officials at several ministries and at the High Dam all minimize the disruption of river traffic, attributing it to the yearly maintenance period of the irrigation canals when less water is released. But this year was the first time the boats have been blocked. And unless this year's flood is good, it will happen next year as well. Much of the controversy over the Nile water crisis stems from a November 1987 report commissioned by the Egyptian government and the United Nations Development Program, aimed at finding new methods of irrigation

in the Nile Valley to combat future water shortages.

A copy of the report, performed by a British consulting group, Sir M. MacDonald and Partners Ltd, was made available to the International Herald Tribune. While it presents reasonable, cost-effective solutions for substantially increasing agricultural productivity and decreasing the amount of water which flows out to the Mediterranean unused, the report paints a grim picture of Egypt's economic and water resources.

These are some of the report's main findings:

• Available Nile water is "a limited resource which is already almost fully exploited." Therefore, the only way to improve agricultural production is to make "more effective use of the available water



An ox-driven water-wheel in the Nile Valley.

through improvement and better management of the irrigation systems. Such improvements require "major investment."

• Egypt's land reclamation program has largely failed due to low productivity, while the total land area throughout Egypt under cultivation "has increased little in recent years, during a period of rapid population growth."

• The level of self-sufficiency in six major foodstuffs, wheat, rice, sugar, pulses, cotton and meat, has fallen substantially since 1974, despite increased water availability.

• Water reserves at the High Dam have been drawn down to such an extent that "there will be little reserve storage in hand prior to the 1988 flood," while "the prognosis for Nile flows in future years is questionable."

• Continued drought will mean a 6 percent decrease in water available for irrigation next year, "assuming that all opportunities for water saving are exploited."

When President Anwar Sadat inaugurated the High Dam on Jan. 15, 1971, he spoke of a new era for Egypt. With the water stored in the 500-kilometer-long Lake Nasser, Egypt hoped to roll back the desert, generate power for new industries and increase agricultural yields. They even hoped to introduce rice — then something of a luxury to many Egyptians.

The High Dam has failed to live up to those hopes, according to the MacDonald report. Because of urban sprawl in the Nile Valley, the amount of arable land has continued to diminish despite the massive irrigation program — a tendency which the Egyptian authorities claim may be reversed for the first time this year.

Improved farm productivity and crop yields cannot keep up with the 2.8-percent yearly pro-

duction increase, and Egypt imports more food today than ever before. As for the rice, Egyptian officials now admit they will have to switch to less water-intensive crops.

But the High Dam saved Egypt from potentially devastating floods in 1964 and 1975. It continues to shield Egypt from an even worse calamity: the 10-year Sahelian drought, which has hit hardest where it hurts Egypt most, at the source of the Nile in Ethiopia.

"Without the dam, Egypt would have suffered from famine like Ethiopia and the Sudan," said Ahmed Hassanain, chairman of the High Dam Authority. "But by using the reserve storage of Lake Nasser, we have been able to capture water from the big flood years, and use it in years when the flood is low."

The Nile flood comes every year in August and September. Egypt's "water year" — the administrative expression of a far older rhythm — begins on Aug. 1. But for the past 10 years the flood has been abnormally low. Last year's flood, for instance, was the second worst in the 110 years since Egypt began keeping statistics.

The Nile accounts for more than 95 percent of Egypt's water resources, providing drinking water, irrigation water and hydroelectric power. To compensate for the bad floods, Egypt has drawn about 72 billion cubic meters of water from the reserves of Lake Nasser. Mr. Hassanain said, with little "new water" coming in. In 10 years, the reservoir level has dropped about 25 meters.

By mid-June, the reservoir was at its lowest level ever, 153 meters. Mr. Hassanain and other officials expect it to drop to 150 meters by mid-July — within three meters of the absolute minimum prescribed

in the original Soviet design. If this year brings another bad flood, Egypt will face a water shortage of major proportions.

The three hydroelectric stations at Aswan produce 28 percent of Egypt's electricity, according to Electricity and Energy Minister Maher Abaza. By mid-June the 12 turbines at the High Dam had already been powered down, and Mr. Abaza said he expected to lose about 900 megawatts because of the water shortage. "That is about 15 percent of the peak load of Egypt's entire electricity grid, normally rated at around 7,000 megawatts."

If Lake Nasser drops below 147 meters — which could happen early next year — then the High Dam power station will have to shut down completely.

But Mr. Abaza and other officials were not overly concerned. "Next year we will add 1,600 megawatts of production capacity, by opening several new coal and gas power plants currently under construction," Mr. Abaza said. "The real problem for us is July and August. Then we are in for a crunch."

On May 1, President Hosni Mubarak appealed to Egyptians to conserve electricity.

On May 10, the parliament voted to advance daylight savings time. Substantial increases in electricity rates, to discourage consumption, coupled to a massive public information campaign, have helped decrease consumption by 1 percent since January.

Over the past year, Egypt has stepped up its modest effort to meet some of the electricity shortfall through new and renewable energy, including solar power units.

Islamic Investment Houses Become National Headache

By Henry Tanner

CAIRO — On a hot night recently about 10,000 anxious men and women traveling in buses and cars ranging from shiny Mercedes to pickup trucks converged on a sandy plot of land about 15 miles north of Cairo on the desert road to Alexandria.

Billboards proclaimed that the site was the home of Metro Chicken Farm, a venture of Al Rayan, one of Egypt's controversial Islamic investment houses. The visitors were investors who had come to a meeting of the Al Rayan board called after Cairo newspapers had reported an alarming power struggle within the company's founding family as well as rumors of violence, drug-taking and wild parties. The founders were on the date, Ahmed Tawfiq, 32, who recently replaced his older brother Fatih as chairman, conceded that business had not been very good lately. The crowd cheered when Fatih Tawfiq told them that, contrary to the rumors, he was not a drug addict. He said he had merely been overworked, had taken many sedatives and had gone to a hospital for treatment.

Their father was also there, but not the third brother, Mohammed, who is serving a two-year sentence for importing goods illegally.

A prominent Moslem preacher, Abdel Sabour Shebeen, also on the date, accused the government of trying to break the Islamic companies that were the only salvation of pensioners and little people.

When the meeting ended more than two hours later, it had been decided — over the shouted objections of some — that each investor would continue to get his monthly "profit" of 2 percent but would not be able to withdraw his capital until at least the next board meeting three months later.

Not all those present were reassured. "What could I do? Who else would pay me 1,000 pounds every month on an investment of 50,000 pounds?" one of the men said.

The meeting was more than folklore. The self-styled Islamic companies have become a national issue and one of the Mubarak government's major headaches.

There are four or five major operators and as many as 100 obscure little ones. They are believed to have more than one million customers, most of them small and very small investors.

With inflation running at about 30 percent, the companies have been fulfilling a social function that the government is unable to discharge: They pay at least 24 percent "profits" a year in monthly installments and promise an undetermined additional amount at the end of the year if business is good. They are the little people's only hope to keep up with inflation. Regular banks pay 13.2 percent at most.

But from a social safety valve that was initially tolerated and perhaps welcomed by the authorities, they have developed into a monster that the government is hard put to tame.

which is in desperate need of domestic investment. In addition, they have come to control important sectors of the economy, notably imports of grain, timber and steel rods for construction.

Their high "profits," the government says, have come from heavy speculation in international securities, gold and commodities as well as illegal or extrajudicial operations of different kinds.

Officials also suspect that they are running pyramid schemes, paying "profits" out of new deposits.

One company, Al Sherif, is reputed to operate more conservatively and to have serious investments in Egypt.

In recent months, the government has repeatedly

The money they attract is lost to the national economy.

warned that one or several of the companies might collapse, deepening the life savings of their customers and triggering off a nationwide panic with incalculable consequences.

There was the beginning of a run on the Cairo office of Al Rayan after it was reported to have suffered heavy losses in the stock market fall last October. The 1982 collapse of the unofficial Souk al Manshiya market in Kuwait is also remembered.

Prime Minister Atef Sidki has said that the owners of several of the small companies had fled abroad, taking their customers' funds with them. Eleven owners, including those of Al Rayan, are prohibited from leaving the country by order of the courts.

Mr. Sidki said that the bulk of the Islamic companies' assets were held outside Egypt; that the deposits were kept in the names of the company's owners rather than the companies themselves, and that the depositors had been given a simple receipt for their money but no investment certificate of any kind.

The companies' claim to be "Islamic" institutions that pay "profits" rather than interest, which Islamic purists regard as being forbidden by the Koran, has been part of their attraction. Their names often have religious connotations. Al Rayan, for instance, is the Door to Eden.

Some weeks ago, after years of hesitation, the government finally got the People's Assembly to adopt a law which, if implemented, will submit the companies to normal banking regulations.

Under the law, the companies will have to come into regular share-holding companies and issue investment certificates rather than simple receipts. They will also have to register their operations, open accounts that can be inspected and refrain from transferring funds abroad without permission.

The companies which accept the conversion will have a year's grace. The others will have to repay their deposits to the customers within two years. The companies have been fighting the measure in public rallies and in the press. Some have argued that they may not be able to pay back their deposits if the law is implemented — and that the disappointed small investors will turn their wrath against the government and not against the companies.

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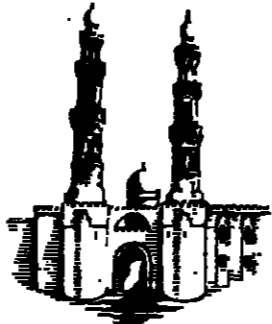
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LIABILITIES	Million L.E.
Capital, Reserves & Provisions	580
Deposits & Current Accounts	4,297
Banks & Correspondents	321
Sundry Credit Balances	355
	<u>5,553</u>
Contra Accounts	2,089
	<u>7,642</u>
ASSETS	Million L.E.
Cash & Balances with	
Banks & Correspondents	2,326
Total Investments	739
Total Advances & Loans	2,362
Sundry Debit Balances	126
	<u>5,553</u>
Contra Accounts	2,089
Net Profit	35

Joint Ventures:

Banque Du Caire Barclays International Bank/Egypt
Banque du Caire et de Paris/Egypt
Cairo Far East Bank/Egypt
Saudi Cairo Bank/Saudi Arabia
Cairo Amman Bank/Jordan

and participating in the following banks:

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Housing & Development Bank/Egypt
Egyptian Gulf Bank/Egypt
National Bank for Development/Egypt
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Page 15

MADISON AVENUE

Competitive Ads: Boring, Boring, Boring

By PHILIP H. DOUGHERTY
New York Times Service

NEW YORK — If it were up to Larry Light, there would be no more of those repetitive, nerve-grinding television commercials typified by "Fill it to the rim with Brim" and "Ring around the collar." Mr. Light, chairman and chief executive of Backer Spielvogel Bates International, said, "When it comes to advertising, we've learned that frequency is essential. But high frequency combined with repetition of a single advertising execution can result in boring, redundant advertising which is ultimately rejected."

Light deplored the practice of creating an advertising spot and then making commercials with little change of format. He called such ads "cookie-cutter clones," and said, "You cannot beat, badger, belabor, bore the generation into buying."

Light favored what he called the "album" concept, which means creating commercials to a single strategy but with a variety of executions. Light's advice: "Don't campaign static; build, then, develop, vary, modify, evolve a campaign to keep it alive, interesting, effective."

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U.K. Lifts Key Rate Half Point

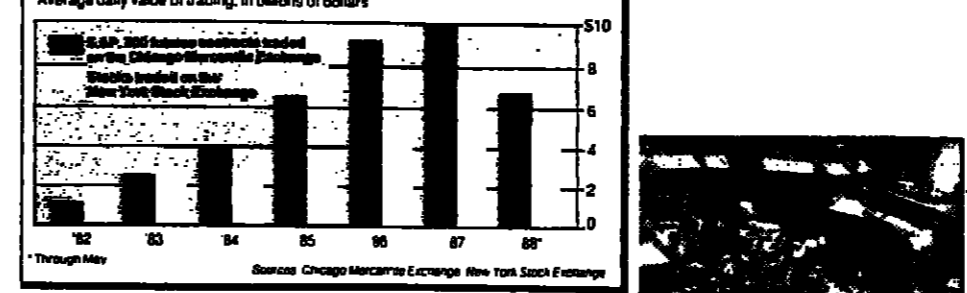
Increase to 9.5% Below Forecasts

By Warren Getler
International Herald Tribune

LONDON — The Bank of England, responding to a dramatic deterioration in Britain's trade performance and fears of accelerating inflation, prompted commercial banks to raise their base lending rates Tuesday by a half point to 9.5 percent, the fourth half-point hike this month.

But the interest rate increase, aimed at cooling the economy, fell short of the one percentage point rise that economists and financial institutions had expected. Even so, the higher rates and a lower dollar in Europe boosted the pound on its trade-weighted index against a basket of currencies, to 75.1 percent of its 1975 value from 74.8 percent on Monday.

Passing the Big Board



Trading at the New York Stock Exchange. The Big Board is attempting to counteract stiff competition from the markets in Chicago by introducing new financial instruments of its own.

NYSE Puts Battle Plan in Motion

Shift in Trading Practices Prompts the Call to Arms

By James Sternfeld
New York Times Service

NEW YORK — The New York Stock Exchange was threatened. With its slow, anachronistic trading methods, it was losing business to a new, competing market.

Leaders of EC Agree to Study Monetary Union

By Ferdinand Protzman
International Herald Tribune

HANNOVER, West Germany — The European Community summit meeting ended here Tuesday with an agreement to establish a committee to study creation of a European monetary union and a pledge to eliminate obstacles to the single market planned for 1992.

But in the final summit communiqué, the 12 EC leaders avoided mentioning the idea of establishing a European central bank, bowing to opposition to such a reference from Prime Minister Margaret Thatcher of Britain.

Currency Rates

Rate	6/28	6/27	6/26
\$/£	1.5665	1.5660	1.5655
\$/DM	1.7875	1.7870	1.7865
\$/¥	163.25	163.20	163.15
\$/S	136.25	136.20	136.15
\$/A	136.25	136.20	136.15
\$/F	136.25	136.20	136.15
\$/I	136.25	136.20	136.15
\$/G	136.25	136.20	136.15
\$/H	136.25	136.20	136.15
\$/J	136.25	136.20	136.15
\$/K	136.25	136.20	136.15
\$/L	136.25	136.20	136.15
\$/M	136.25	136.20	136.15
\$/N	136.25	136.20	136.15
\$/O	136.25	136.20	136.15
\$/P	136.25	136.20	136.15
\$/Q	136.25	136.20	136.15
\$/R	136.25	136.20	136.15
\$/S	136.25	136.20	136.15
\$/T	136.25	136.20	136.15
\$/U	136.25	136.20	136.15
\$/V	136.25	136.20	136.15
\$/W	136.25	136.20	136.15
\$/X	136.25	136.20	136.15
\$/Y	136.25	136.20	136.15
\$/Z	136.25	136.20	136.15

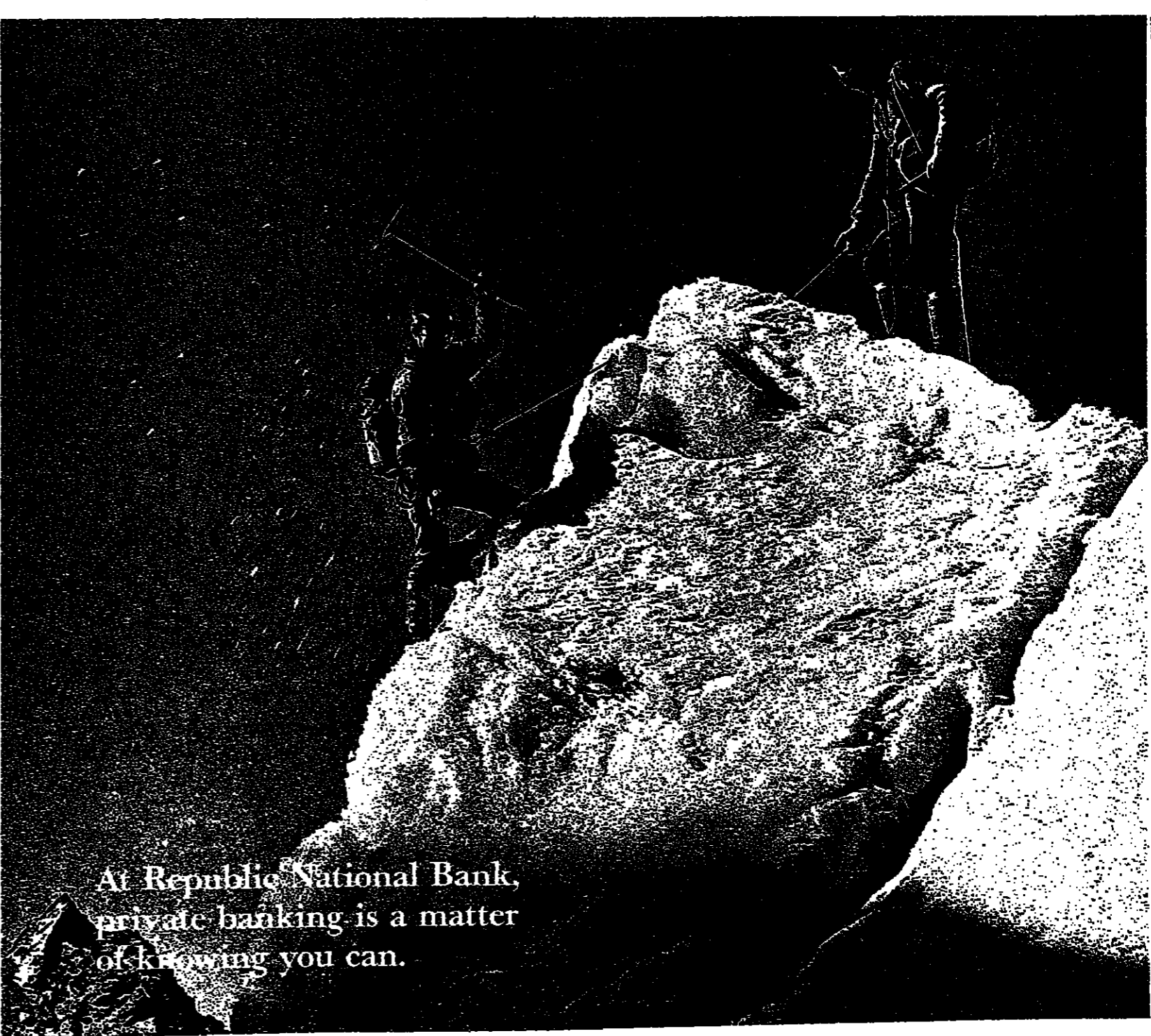
Dollar Ends Mixed After Official Sales

NEW YORK — Despite concerted central bank intervention to blunt its two-week surge, the dollar closed mixed Tuesday in hectic New York trading, extending its rise against the yen after declining against most currencies in Europe.

The currency shrugged off the European intervention and had pushed through its eight-month high on Monday, but slipped back when the Federal Reserve Board joined its European counterparts, selling dollars at 1.8215 Deutsche marks and 1.8230 DM.

Interest Rates

Rate	6/28	6/27	6/26
3-month T-bill	7.25%	7.25%	7.25%
6-month T-bill	7.25%	7.25%	7.25%
1-year T-bill	7.25%	7.25%	7.25%
3-month Eurodollar	7.25%	7.25%	7.25%
6-month Eurodollar	7.25%	7.25%	7.25%
1-year Eurodollar	7.25%	7.25%	7.25%
3-month LIBOR	7.25%	7.25%	7.25%
6-month LIBOR	7.25%	7.25%	7.25%
1-year LIBOR	7.25%	7.25%	7.25%
3-month CDS	7.25%	7.25%	7.25%
6-month CDS	7.25%	7.25%	7.25%
1-year CDS	7.25%	7.25%	7.25%
3-month swap	7.25%	7.25%	7.25%
6-month swap	7.25%	7.25%	7.25%
1-year swap	7.25%	7.25%	7.25%



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NEW YORK MIAMI LOS ANGELES BEVERLY HILLS CORPUS CHRISTI MONTREAL LONDON PARIS MONTE CARLO LUXEMBOURG MILAN GIBRALTAR GUERNSEY HONG KONG SINGAPORE TOKYO NASSAU CAYMAN ISLANDS BUENOS AIRES SANTIAGO MONTEVIDEO CARACAS MEXICO CITY PUNTA DEL ESTE RIO DE JANEIRO SAO PAULO

NYSE Most Actives table with columns for stock symbol, volume, high, low, and change.

Market Sides table showing NYSE 4 p.m. volume, NYSE adv. cons. close, and other market statistics.

NYSE Index table showing Composite, Industrials, Finance, and Utilities indices with high, low, and change.

Tuesday's NYSE Closing logo with 'Via The Associated Press' text.

AMEX Diary table listing various market activities and their status.

NASDAQ Index table showing Composite, Industrials, Finance, and Utilities indices.

AMEX Most Actives table listing active stocks on the AMEX exchange.

Dow Jones Bond Averages table showing yields for various bond categories.

NYSE Diary table listing specific market events and volume changes.

Odd-Lot Trading in N.Y. table showing buy and sell volumes for odd-lot trading.

Dow Jones Averages table showing the performance of the Dow Jones Industrial Average.

Standard & Poor's Index table showing the performance of the S&P 500 index.

NASDAQ Diary table listing market activities on the NASDAQ exchange.

AMEX Stock Index table showing the performance of the AMEX stock index.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

NYSE Rises on Steady Dollar

Main article text discussing market trends, the steady dollar, and analyst comments on the NYSE performance.

Large table of stock prices and market data, including columns for stock symbols, prices, and changes.

Vertical Arabic text on the left margin: 'مركزنا في لندن'.

(Continued on next left-hand page)

FINANCIAL ROUNDUP

Racal to Float Up to 25% of Unit

Reston — Racal Electronics Tuesday that the planned flotation of its telecommunications unit will be in October for 25 percent of the division, which includes the Vodafone cellular business.

For some time "we have believed," the company said, that the telecommunications group's value has not been sufficiently reflected in the share price.

Italian Insurer Discloses Price Of Midi Stake

TRIESTE, Italy — Assicurazioni Generali SpA, the big Italian insurance company, disclosed on Tuesday it has spent 599 billion lire (\$442.6 million) for its current direct 8.5 percent stake in the French insurer Compagnie du Midi.

Citicorp Is Said to Weigh Texas Bank Takeover

By Thomas C. Hayes New York Times Service DALLAS — A large team of bankers from Citicorp, the largest U.S. bank holding company, is examining the books of troubled First RepublicBank Corp., weighing the possibility of acquiring the Texas bank, a First RepublicBank spokesman said Tuesday.

First RepublicBank spokesman, Joe Bowles, said that the FDIC had requested we receive them and cooperate with their examination of the books.

Weeks, said that as a matter of corporate policy the company would not comment on the reports.

The company's preliminary plan for reorganization delivered to the FDIC on June 9, calls for troubled assets to be placed in a separate banking company, of which the FDIC would own 75 percent.

Banesto Plans New Issue

Reston — Banco Espanol de Crédito said it will issue 10 million pesetas (\$63.83 million) of stock in a rights offering to bring its capital in line with Banco Central SA, which it plans to merge with.

Générale Stock Cost 2 Groups \$4.6 Billion

By Jacques Neher Special to the Herald Tribune PARIS — Investor groups led by Compagnie Financière de Suez and Carlo de Benedetti spent an indicated 177.3 billion Belgian francs (\$4.6 billion) in their six-month battle for control of Société Générale de Belgique, according to figures released by Suez on Tuesday.

de Benedetti, the Italian industrialist, was likely a little higher. Assuming that both sides paid the same average price, the almost 30.8 million shares they bought would have cost 137.1 billion francs.

Benedetti to reduce his stake in Générale to 16 percent by selling 6 million shares to Sodocom for cash and 1.75 million shares directly to Suez. In return, Mr. de Benedetti was awarded a seat on Société Générale's board.

SEC: Facing New Trading Strategies and Stiffer Competition, the Big Board Issues a Call to Arms

ed from first finance page) of individual stocks. These are likely to lose their excess to valuable information flow of certain buy and sell — known as a limit order — putting more investors in equal footing.

are modeled on Chicago's futures markets. "What they're trying to do is adopt the innovations of their competitor, recognizing the economic reality," said Hans Stoll, a professor at Vanderbilt University's business school, who drew the analogy with 1869.

firm, and vice chairman of the Big Board. Not everyone thought such changes are necessarily better. Some argued that they were likely to produce more volatile stock prices over all. And the changes

the rule to be re-examined every year or so. An exchange task force is expected to complete its design of a basket contract in the fall. It is possible, too, that the contract would be traded without a specialist. The

There has been a fundamental change in the way that some institutional trading is being done. What the market must do is deal with that phenomenon.

David S. Ruder, chairman of the SEC, suggested that the prices of individual stocks would be more heavily influenced by macroeconomic developments that affect the overall market and less by the prospects of the individual companies that issued the shares.

changes indicate the dovish New York is adopting trading techniques that



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Tuesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table of NYSE stock prices including columns for High, Low, and Change.

Table of NYSE stock prices (Continued) with various stock symbols and prices.

Table of NYSE stock prices (Continued) listing various companies and their market performance.

Table of 12 Month High/Low Stock prices for various companies.

Table of 12 Month High/Low Stock prices (Continued) for more companies.

Table of NYSE High-Lows for various stocks.

Table of NYSE High-Lows (Continued) listing stock prices and changes.

Table of NYSE High-Lows (Continued) with stock symbols and prices.

Table of NYSE High-Lows (Continued) listing various market data.

Table of NYSE High-Lows (Continued) with stock prices and market indicators.

U.S. Futures

Via The Associated Press

Table of U.S. Futures prices for various commodities like Wheat, Soybeans, and Corn.

Currency Options

Table of Currency Options for various international currencies.

Stock Indexes

Table of Stock Indexes including Dow Jones, S&P 500, and other market indices.

Commodity Indexes

Table of Commodity Indexes for various raw materials.

Financial

Table of Financial data including interest rates and bond yields.

Dividends

Table of Dividends for various publicly traded companies.

London Metals

June 29

Table of London Metals prices for various metals like Gold and Silver.

Paris Commodities

June 29

Table of Paris Commodities prices for various goods.

S&P 100 Index Options

June 29

Table of S&P 100 Index Options for various call and put contracts.

DM Futures Options

June 29

Table of DM Futures Options for various international currencies.

Spot Commodities

Table of Spot Commodities prices for various raw materials.

London Commodities

June 29

Table of London Commodities prices for various goods.

U.S. Treasuries

June 29

Table of U.S. Treasuries prices for various government bonds.

COCOM Clears Boeing 767 Sales

PARIS — Boeing Co. has received permission from the Coordinating Committee for Multilateral Export Controls to sell up to six of its 767 jets to Poland and Romania, diplomatic sources said Tuesday.

COCOM, which has to clear sales of Western technology to the Soviet bloc, approved Boeing's application at its regular weekly meeting on Tuesday, the sources said.

The decision follows clearance earlier this month for Entrop's Airbus Industrie sales of three A-310 jets to East Germany's Interflug airline.

Airbus and Boeing needed COCOM to approve the sales because the aircraft have high-technology electronic equipment that could be used by the military, COCOM cleared the Airbus sales on condition the high-technology airlines were serviced in the West, the diplomats said.

"Boeing's case comes under the same conditions but it is up to the United States to impose them when they issue the export license," a diplomat said.

Freemove Group Is Acquired

BRUSSELS — GB-Inno-By SA, a Belgian foods company, a France's Casino supermarket group said Tuesday that they had acquired the Freemove fast-food chain. Terms were not disclosed. Casino also holds a stake in Quick France's largest hamburger chain.

TO OUR READERS IN HOLLAND

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Pennzoil Is Looking At Tenneco Oil Unit

HOUSTON — Pennzoil Co. may be interested in buying Tenneco Inc.'s oil subsidiary, Randall McDonald, the chairman of Pennzoil, said Tuesday.

Mr. McDonald said his company is looking at the Tenneco assets, which the Houston company offered to sell last month to reduce its debt. The Tenneco Co. subsidiary includes the conglomerate's oil and gas properties and refining and marketing operations. Analysts said the price could be as high as \$8 billion.

Pennzoil received \$3 billion as settlement from Texaco Inc. in April after a four-year legal battle over Texaco's 1984 purchase of Getty Oil Co., which Pennzoil said interfered with its own merger accord with Getty.

So far, Mr. McDonald said, the Tenneco purchase is still only a matter of discussion, but he acknowledged that the company is looking to invest its settlement fund. He would not comment on a possible price for the Tenneco properties.

Pennzoil is particularly interested in the oil and gas properties, but would consider buying everything, including the refining and marketing division, Mr. McDonald said.

NYSE Disciplines Hutton and 2 Former Executives

NEW YORK — The New York Stock Exchange said it disciplined E.F. Hutton & Co. and two former executives of the firm, who worked for it in the early 1980s when the brokerage overpaid bank accounts.

Hutton was acquired by Shearson Lehman Hutton Inc. earlier this year. An NYSE panel said Hutton violated exchange rules and failed to provide appropriate supervision and control of cashier operations. The panel fined the company \$400,000, which already has been paid.

Hutton pleaded guilty in 1985 to 2,000 counts of mail and wire fraud in connection with the check activity. The NYSE penalties were imposed for the same actions in which Hutton systematically wrote overdrafts on checking accounts, effectively using banks' money without paying interest.

When it pleaded guilty, Hutton agreed to pay fines of \$2 million and other charges amounting to \$750,000.

The former executives, George L. Ball and Thomas Lynch, without admitting or denying guilt, consented to findings by the NYSE panel. The NYSE said both men consented to a censure. It said the panel found that they each violated NYSE rules by failing to inquire about procedures of Hutton regional and branch offices.

GM Shuffles Its Top Management

DETROIT — General Motors Corp. made a series of top management changes on Tuesday, including the election of three new executive vice presidents that it said would significantly strengthen the automaker's structure.

The changes come one day after the retirement of Elmer W. Johnson, executive vice president, who was head of the operating staff.

GM said F. Alan Smith, previously head of its finance staff, will now be in charge of the operating and public affairs group. He remains an executive vice president.

Robert O'Connell was named an executive vice president with responsibility for GM's finance group and General Motors Acceptance Corp. He previously was a GM vice president.

Mr. Johnson's former duties are split mainly between Mr. Smith and Mr. O'Connell.

"With these changes, we are taking important steps toward putting in place the next generation of leadership of General Motors," Chairman Roger B. Smith said at a news conference.

MCA and Partner Buy Motown

LOS ANGELES — Motown Records, the company that boosted Michael Jackson and Stevie Wonder to stardom, has been sold to MCA Inc. and an investment banking firm for \$61 million, the companies said Tuesday.

MCA is to get the Motown trademark and its separate catalog of songs from such artists as the Temptations, the Jackson Five and the Supremes.

The deal with MCA and Boston Ventures also includes current contracts, including those of Lionel Richie and Smokey Robinson.

Berry Gordy Jr. will retain the company's sheet music and film businesses.

Handwritten note in Arabic script: كذا كذا كذا

سكواين لامل

Tuesday's AMEX Closing

Prices include the nationwide prices as to the closing on Wall Street. Do not reflect late trades elsewhere. Via The Associated Press

Table with columns: Stock, Dn, Yld, PE, 52-Week High/Low, Close, Chg. Lists various stocks like ABL, AIG, ALB, etc.

Table with columns: Stock, Dn, Yld, PE, 52-Week High/Low, Close, Chg. Lists various stocks like AIG, AIG, AIG, etc.

Table with columns: Stock, Dn, Yld, PE, 52-Week High/Low, Close, Chg. Lists various stocks like AIG, AIG, AIG, etc.

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Table with columns: Stock, Dn, Yld, PE, 52-Week High/Low, Close, Chg. Lists various stocks like AIG, AIG, AIG, etc.

Floating-Rate Notes

Table with columns: Currency, Issuer, Maturity, Bid, Ask. Lists floating rate notes in Dollars, Pounds Sterling, Deutsche Marks, Japanese Yen, and E.C.U.

Table with columns: Currency, Issuer, Maturity, Bid, Ask. Lists floating rate notes in Dollars, Pounds Sterling, Deutsche Marks, Japanese Yen, and E.C.U.

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CURRENCY MARKETS

DOLLAR: Currency Holds Its Own Despite Bank Sales

(From first finance page)

Dollar to about 130 yen... about U.S. economic... and a belief that American... deficit was narrow...



Has J. ...

last week's economic... in Toronto, the... and six other leading... nations affirmed their... wild dollar gyrations...

concerned dollar sales... the dollar's rise and, as... it did, a dealer for a... bank said...

view toward the dollar... the U.S. currency to... remain relatively firm in the face of... rising overseas interest rates...

Table titled 'London Dollar Rates' showing exchange rates for various currencies like Deutsche mark, Japanese yen, Swiss franc, etc.

1,8070 DM, after 1,8185 on Monday... to 130.75 yen, from 130.95; to 1,4965 Swiss francs, after 1,5050; and to 6,0885 French francs from 6,1405.

The pound rose to \$1,7190 from \$1,7025. Sterling ended firmer at 3,1050 DM in London, up marginally from 3,1000 on Monday...

But some traders believed that the British government was satisfied with sterling's present trading ranges and would be seeking to consolidate that position rather than to rush toward further interest rate rises.

A dealer, referring to the market's preoccupation with the near-doubling of the British current account deficit in May to \$1.21 billion, said it would take more than another interest rate rise to resolve Britain's worsening balance of payments.

RATES: Rise to 9.5% by U.K. Banks Below Forecasts

(Continued from first finance page) The money market continued to expect a rise in base rates to 10 percent in the short-term. As evidence, the key three-month interbank deposit rate straddled 10 percent for much of the day, up from a finish of 9.5/16 on Monday.

The pound's appreciation because of higher rates should have an anti-inflationary effect by reducing the costs of dollar-based imports, such as commodities. With that danger on inflation, British monetary authorities may have felt a half-point increase in base rates was sufficient, analysts said.

Peter Warburton, an economist with Shearson Lehman Hutton Inc. in London, said that "It was clear that the money market was dis-

pressed with the bank's action and was still discounting an almost full point increase."

Prime Minister Margaret Thatcher said that the main reason for the rate increase was "to make it quite clear that our overall objective of putting downward pressure on inflation remains and will be honored."

Mr. MacKinnon said that such an objective implies an increased value for the pound, since higher British interest rates attract investors to pound-denominated assets.

"The authorities want to tighten monetary policy further," he said. "Essentially, this involves a higher pound. If they tolerate a lower pound, then all they're doing is adding fuel to inflationary pres-

Soviets Selling Gold Heavily In Hong Kong

HONG KONG — The Soviet Union has been a heavy seller of gold on the Hong Kong market over the past two days, dealers said Tuesday.

The Soviet Union occasionally uses the Hong Kong market, but there was a marked increase Monday in selling, they said. The sales tapered off somewhat Tuesday.

"The offers were placed with international bullion houses and banks between \$442 and \$443 on Monday," said senior dealer at a British bullion house. "The selling continued this morning but on a smaller scale."

Dealers said the selling, however, had produced little downward pressure on gold's price.

Bullion closed at \$444 an ounce Tuesday in Hong Kong.

Bundesbank Not Wed to Rate Hike, Official Says

HANNOVER, West Germany — The central council of West Germany's Bundesbank will discuss interest rates at its regularly scheduled meeting on Thursday but there is little support for raising the benchmark discount rate at this time, a source close to the central bank said Tuesday.

Economists and money market participants have been speculating in recent days that the Bundesbank may be forced to lift the discount rate on Thursday to 3 percent from 2.5 percent in a bid to slow capital outflows, halt Deutsche mark's recent slide and reduce the risk of rekindling inflation.

"I'm convinced the Bundesbank is going to raise the rate, but it could be by either a half-point or a full point, to 3.5 percent," a money market dealer said.

Economists said the mark's depreciation and the heavy outflow of capital from West Germany so far this year, combined with persistently above-target money supply growth, made a discount-rate increase unavoidable.

But a senior Frankfurt banking source said that while those factors do concern the Bundesbank, "it no longer views the discount rate as

the most practical tool for dealing with such things. "While it is still very significant as a signal to the markets, the securities repurchase rate is really the key interest rate in trying to steer monetary policy and reduce money supply growth," the official, who declined to be identified, added.

The Bundesbank president, Karl Otto Pöhl, has noted that the repurchase rate is the central bank's key interest rate for steering the money markets and that the discount rate and emergency funding Lombard rate tend to lag market developments.

Money market dealers and economists, however, argue that changes in the discount and Lombard rate have a greater psychological "heavy-artery" impact on markets because they are changed less frequently.

The Bundesbank official would not speculate on whether the central bank may announce a surprise round of securities repurchase agreements in lieu of an increase in the discount rate.

Last week, the Bundesbank lifted the securities repurchase rate to 3.5 percent from 3.25 percent.

That move had little immediate effect in supporting the mark and dampening enthusiasm for the dollar. But combined with open-market dollar sales by the Bundesbank and other major central banks in recent days, the slight upward pressure on German rates has been a factor in dampening the U.S. currency.

"Whether the discount rate is raised or not will depend largely on what the dollar does," the Frankfurt source said. "If it rises too strongly, they may be forced to lift the discount."

Analysts said that the recent acceleration in West Germany's money supply and fears that this could cause inflation to rise in the future were also likely to persuade the Bundesbank to increase official interest rates.

West Germany's M-3 money supply figure, the central bank's key monetary aggregate, accelerated to an annualized growth rate of 7.5 percent in the April-May period from 7.3 percent in the March-April period. The bank's official target zone for the aggregate is 3 to 6 percent annual growth.

Some dealers said there was a possibility that the Bundesbank could announce an extraordinary securities repurchase pact on Wednesday to ease the current strains in the money market.

Japan Nudges Short-Term Rates Up, Little Impact Expected

TOKYO — The Bank of Japan allowed an increase of 1/16th of a point Tuesday in the three-month commercial bill discount rate, which is now at 4 percent, money traders said.

The increase reflected the expectation of a seasonal funds shortage at the end of September, when Japanese companies close their interim or annual books, the traders said.

The move had been widely anticipated in the short-term money and bond markets and had limited impact, they said.

A Bank of Japan official also cited seasonal factors, but added that the increase came earlier than usual because of growing market expectation of higher interest rates.

The Bank of Japan has not changed its monetary stance and will continue to act cautiously and flexibly in the market, the official said.

The central bank had already allowed foreign banks to sell three-

month bills at 4 percent on Monday. A Bank of Japan official said there was too much worry about rising interest rates.

Japanese money traders expected higher money market interest rates in July because of seasonal factors. But some ruled out any chance of a rise in the yen discount rate, now at 2.5 percent.

"If Japan raises its official rate, it would make rates of other countries in key interest rates of other countries such as West Germany and England," said Tatsuya Dezaka, general manager of New Japan Securities Co.'s bond department.

Japan has so far not intervened in the currency market to moderate the yen's recent fall against the dollar.

If the Bank of Japan tried to stop the yen's fall while the Japanese economy is performing well, it would only give the market further reason to sell marks and pounds, Mr. Dezaka said.

A half-point rise in the discount rate is also unlikely because it

would affect sentiment in the stock market, some dealers said. A stock market tumble would critically damage the Bank of Japan's plan for sustained economic growth without inflation.

A stock market fall would also cause problems for Japanese banks, which must raise 7 trillion yen or more from the share market in the next five years to improve their capital ratios.

"The Bank of Japan does not act in an obvious way but in a subtle way, so that people one day wake up to find themselves in a market where rates are clearly higher," said Yasushi Takasaki, manager of Daiwa Securities Co.'s bond department, short-term division.

"A phase of internationally super-low interest rates is coming to an end, but we will still be in a phase of low interest rates," said Masatoshi Suzuki, director of Ueda Tanishi Co., a money brokerage.

Japan's short-term money market expects a seasonal shortage in July of around 2 trillion yen, traders said.

The Bank of Japan official estimate is for a 1.06 trillion shortfall in July.

The key two-month commercial bill discount rate is likely to rise by 1/16 point in mid-July, as corporations start to cover their shortage of funds for the end of September, some traders said.

But Mr. Takasaki of Daiwa Securities noted that "The Bank of Japan is likely to offset excessive fears of a higher interest rate when it lets the two-month bill rate rise."

It would calm worries by pushing down the one month bill rate, by bill purchase operations, and by CD purchase operations, he noted.

More central bank operations in the bond market were also possible, the traders said.

The Bank of Japan bought government bonds totaling 246 billion yen (\$1.87 billion) on June 17 and an additional 50 billion last Tuesday.

OTC Prices

OTC prices as of 4 p.m. New York time, compiled by the AP, consists of the 1,000 most active OTC securities.

Prices are in dollars and cents, unless otherwise indicated.

Div. Yld. High Low 4 P.M. Chg.

Table of OTC prices for various stocks, including companies like ABC, DEF, GHI, etc.

Table of stock prices for various companies, including ABC, DEF, GHI, etc.

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Greece Confronts EC on Farm Pact

BRUSSELS — Greece confronted its European Community partners on Tuesday, threatening an accord on farm price supports that was reached last week after months of wrangling.

Greece, at a special agriculture meeting here late Monday, said that the deal as spelled out by the EC's executive commission did not boost the incomes of Greek farmers enough, an EC official said. Athens protested that the commission's interpretation of the agreement, reached Friday, did not match its own, the official said.

The problem hinges on how much farmers' incomes are increased by the devaluation of the community's system of so-called "green" currencies. This is the mechanism whereby guaranteed farm prices set in European currency units are converted into local currencies.

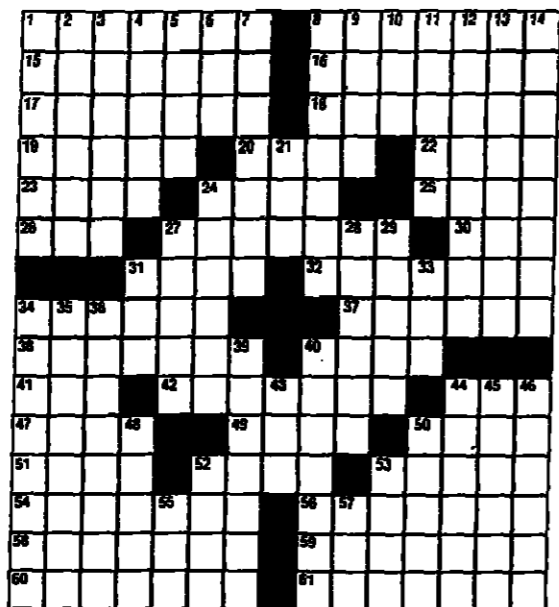
The accord reached Friday allows Athens to devalue the "green" drachma by 15 percent for animal products and by 20 percent for crops. But Greece said that EC officials have calculated the deal in such a way that Greeks are not receiving as much help as at first thought.

Greece said it accepted the deal because it believed that it effectively boosted its farm prices by 21 percent. The EC commission's interpretation puts the rise at 14 percent. The difference amounts to \$80.5 million.

The deal gave Greece 60 million ECUs (\$68 million) more than was accorded in an earlier compromise, while keeping farm spending within a 27.5 billion ECU ceiling agreed to at the EC summit meeting in February.

A special agriculture panel reconvened on Tuesday to try to reconcile the discrepancy. Until it does so, the community has no water-tight agreement on prices despite months of haggling.

Table of stock prices for various companies, including ABC, DEF, GHI, etc.



ACROSS

1 River of NE N.Y.
 15 Dubai, for one
 16 Fire or water
 17 Part of R.S.V.
 18 Dweller
 19 "The Sketch Book" Thackeray
 20 Kind of test
 22 Car with a bar
 23 Glandular problem
 24 Trampled
 25 Cause
 26 Gam
 27 Most indigent
 30 Cuckoo
 31 Individual
 32 Begin work
 34 Crazy
 37 Each
 38 Torero's event
 40 Attend Harrow
 41 Wassail ingredient
 42 Overtures
 44 Mill award
 47 Bator
 48 Decant
 50 Place

DOWN

1 Like some TV dramas
 2 Punish by fine
 3 Ending
 4 Originate
 5 Car of yore
 6 Goddess of mischief
 7 Lebanon
 8 Mocks
 9 "Three Lives"
 10 French article
 11 Jamings and
 12 Reflect
 13 Memory aid

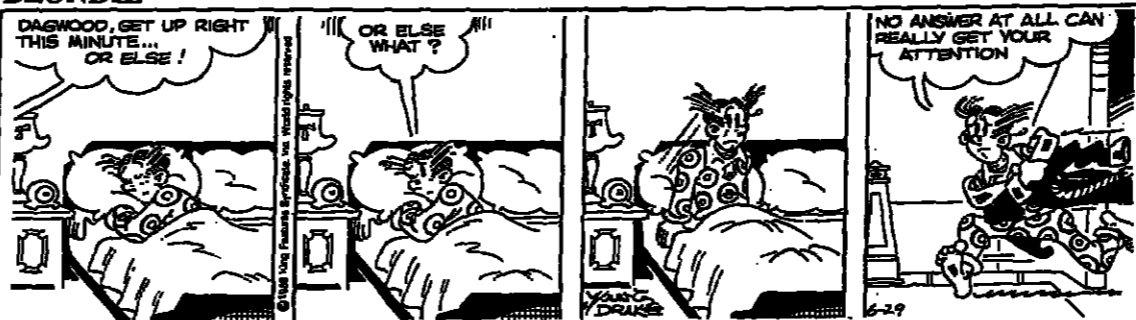
51 He loved Lucy
 52 Ointment
 53 Man in a van
 54 — one's money
 56 Wing-shaped
 58 Roman playwright
 59 Pygmalion's love
 60 Undying
 61 Boston-born essayist

14 Poison from belladonna
 21 N. T. book
 24 Spanish sword
 27 Lesser, legally
 28 Rubberneck
 29 VHS items
 31 On in Orleans
 33 Actor Torn
 34 Without a tail
 35 Medieval steel shoe
 36 — Island, in San Francisco Bay
 39 Dress
 40 Avian ID
 43 Heeler
 44 Wedges left by
 45 AM/FM — receiver
 46 Fabled sea creature
 48 Forty —
 50 Sonar's cousin
 52 — Raton
 53 About 1600 meters
 55 PC network
 57 Wallop

PEANUTS



BLONDIE



BETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



"WE GOT HIM FROM THE NEIGHBORS WHEN HE WAS A TINY KITTEN. HE DOESN'T KNOW HE WAS ADOPTED."

JUMBLE

Unscramble these four jumbles, one letter to each square, to form four ordinary words.

WEATHER

Table with weather forecasts for Europe, Asia, Africa, Latin America, North America, Middle East, and Oceania.

World Stock Markets table showing closing prices in local currencies for various countries and regions.

BOOKS

BLOWBACK: America's Recruitment of Nazis and Its Effects on the Cold War.

By Christopher Simpson. Illustrated. 398 pages. \$19.95. Weldon & Nicholson, 10 East 53d Street, New York, N.Y. 10022.

Reviewed by Herbert Mitgang. In the world of intelligence, "blowback" is the word for an undercover operation that begins successfully and then explodes in the face of the originating country.

BEST SELLERS

- List of best-selling books including 'The Book of David' by David Shields and 'The Last Days of Pompeii' by H. G. Wells.

BRIDGE

By Alan Truscott. A weekly winner in the freewheeling games in Tokyo, North Carolina is Dick Bandier, a retired New Yorker.

WEDNESDAY'S FORECAST - CHAMPAIGN: Small, fair, cloudy. Temperature: 75-85. Wind: light variable.

IN THE HIT EVERY MONDAY... LANGUAGE AND ITS PROPER USE.

SPORTS

Tyson KOs Spinks at 1:31 of First Round

By Phil Berger
New York Times Service
ATLANTIC CITY, New Jersey—Mike Tyson, who bludgeoned Spinks into submission at 91 seconds of the first round...

Capucino wiped Spinks' gloves and released him to do battle again after a mandatory eight count, Tyson continued his mission. He missed with a left hook, and Spinks tried to counter with a right, leaving him an inviting target for Tyson's swift right hand.

arena, Rooney had told him he had both their purses on a first-round knockout. "When the fight was over," Tyson said, "I was kidding."

Still the Reign of Terror

By Tony Kornheiser
Washington Post Service
ATLANTIC CITY, New Jersey—Once and for all, Mike Tyson bludgeoned Spinks...

inner circle would affect the reclusive 21-year-old prodigy. Would he fight his fight, or would he be distracted to the point of vulnerability?

The Season's Flowers Blossom Only Once

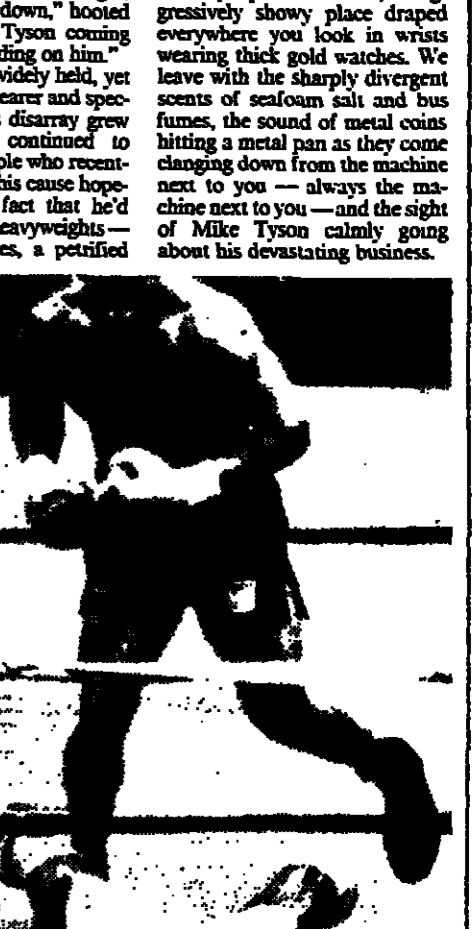
national Herald Tribune
LONDON—After the euphoric reason. It was good to see the years, led as ever by Rudi...

this sudden blossoming of tulips, but don't forget the French cavaliers who won this trophy in 1984 and Platini and Giresse gone...

favor, making him hungrier and fresher than most. It is not coincidence that van Basten shone while England's Gary Lineker, the top scorer at the '86 World Cup, failed...

Rob Hughes

had the mind or imperious balance to bring off — a dream execution from a dream-maker's pass. "It was fantastically incredible that, at my age, I was still around to enjoy this last day," said Muhren.



Mike Tyson, worldbeater, standing over Michael Spinks.

Commons Ousted and Top Women Gain

John Feinstein
Washington Post Service
BLEDON, England — Commons ran out of magic night. When it seemed he would another remarkable escape...

Detroit shortstop Alan Trammell was thumbs-up about umpire Tim Tschida's thumbs-down call on Yankee baserunner Don Slaught in Monday night's third inning. The Tigers defeated New York, 6-3.

Pirates, Edging Mets, 3 1/2 Out of First
Compiled by Our Staff From Dispatches
PITTSBURGH — The Pirates are giving their fans reason to dream of the playoffs. Despite having a run nullified, Pittsburgh posted a 2-1 triumph over New York Monday night to move within 3 1/2 games of the first-place Mets.

SCOREBOARD

Table with Major League Standings, American League, and Monday's Line Scores. Includes columns for team, wins, losses, and percentages.

BLEDON TENNIS

John Feinstein
Washington Post Service
BLEDON, England — Commons ran out of magic night. When it seemed he would another remarkable escape...

BASEBALL ROUNDUP

lead, pitcher Mike Dunne then reached on a fielder's-choice grounder (Bellard sliding in safely at second) and Dwight Gooden walked Barry Bonds.

TENNIS Wimbledon

Patrick Kuitert, West Germany, def. Jimmy Connors (U.S.), 6-7, 7-6 (9-7), 7-6 (7-2), 6-2, 6-2.

TRANSITION

BOSTON—Signed John Valentin, shortstop, and assigned him to Elmira of the New York-Penn League.

Blancpain advertisement featuring a watch image and the text 'SINCE 1735 THERE HAS NEVER BEEN A QUARTZ BLANCPAIN WATCH. AND THERE NEVER WILL BE.' Includes the name 'Fiumi' and contact information.

OBSERVER

Hogs at the Trough

By Russell Baker
NEW YORK—The latest Pentagon brawler brings to mind Carl Sagan, who used to sound amazed on television about "billions and billions" of galaxies.

No need to be coy about it. With criminality evenly distributed in mankind, the congressman is as likely as the bureaucrat to be a crook.

Somebody I trusted told me in high school, and I had taken it for granted ever since. What kind of high school had Sagan attended if he could still get a "Gee whizz" into his voice every time he said "billions and billions"?

The Pentagon was going to spend the billions and billions one way or another. The great taxed majority was going to feel the pain regardless which corporation got the contracts.

The billions and billions that amazed people last week are not galaxies, but dollars passing through the Pentagon. There are accusations that billions and billions of them have been distributed in a dishonest manner.

The nasty truth is that the Pentagon, with those billions and billions of dollars to distribute, has long since become the modern equivalent of city hall.

Where the public money runs deep, the hogs fight each other to get their snouts in the trough, and the big trough nowadays runs through the Pentagon. The question is not, "Isn't it awful?" but, "Are the swine giving us as much for our money as we used to get from those hogs at the city hall?"

Who knows? The Pentagon is the home of the \$600 toilet seat and the indestructible airborne coffee pot, but also of the B-1 bomber, which sometimes sort of works.

New York Times Service

On the Eulogy Road With Jack Kerouac

By Howard Mansfield

LOWELL, Massachusetts—When the biographer Gerald Nicosia first came here in 1977 to see Jack Kerouac's hometown, what he found was "pretty close to real horror."

Today, the author of the Kerouac biography "Memory Babe" says Lowell is one of his favorite cities in the United States. But it's not because Lowell has become a garden spot.

Nicosia was back—this time in the new Hilton—as part of Lowell's celebration of Kerouac. The Beat Generation writer who died in 1969 at age 47.

In the Convention and Visitors Bureau, pure numbers won out. They looked at the numbers who attend Kerouac conferences in Canada and, as Michelle Hatem, director of

operations, said: "He is a draw. There is a large market out there." At the dedication ceremonies, Bob Pendergast stood leaning on a car in a parking lot.



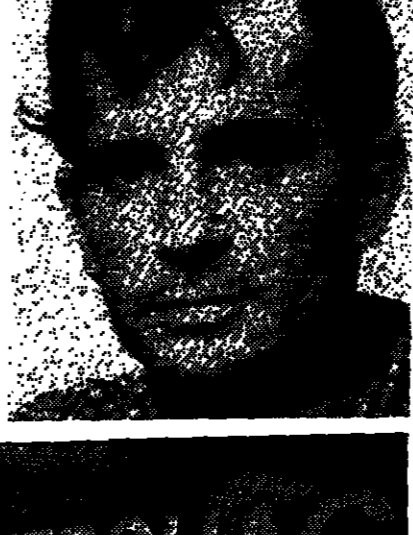
Jack Kerouac in 1959, above, honored finally with a memorial by his hometown.

A crowd of 1,100 showed up last Thursday for a reading by Allen Ginsberg, Robert Creeley and Felixity. For the Reverend Armand (Spike) Morissette, Kerouac could do no wrong.

Before the week's events began, the priest spoke of how he was hearing from people all over the country who were coming. "And his daughter [Jan] is coming in for the celebration," from Eugene, Oregon.

Saturday morning Jan Kerouac, 36, waited with about 40 others, to board a yellow school bus for a tour of Jack Kerouac's Lowell. "He was just a shy guy who drank too much," she said.

Portrait of a Gift



A West German artist is painting a portrait of one of Ronald Reagan's favorite horses as a farewell present for the U.S. president at the end of his term.

The artist, Hans Ullrich, 36, was commissioned to do the portrait by the Chicago-based German-American National Congress, an organization of Americans of German descent.

The Duchess of York has signed a contract to write two children's books, scheduled for publication at the time of her own child's first birthday.

Representative Edward Markey, a Massachusetts Democrat, was married in a double religion ceremony in the Navy Chapel to Dr. Susan Blumenthal, the director of behavioral medicine at the National Institute of Mental Health.

Robert Mitchell has a healthy attitude about himself and his profession. At a film festival in Portugal, Mitchell was asked how he interpreted a role.

Switzerland serve his close friend after receiving an award from the French government for promoting French cuisine in London?

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